

THE WEATHER — PARIS: Monday, fair, cold. Temp. —3-7 (37-41). Tuesday, cold and misty. LONDON: Monday, cloudy and dry. Temp. 3-7 (31-45). Tuesday, cloudy. CHANNEL: Moderate. ROME: Monday, cloudy with sunny spells. Temp. 5-15 (41-59). NEW YORK: Monday, fair. Temp. —5-2 (23-34).
ADDITIONAL WEATHER — PAGE TWO

No. 29,814

INTERNATIONAL

Herald Tribune

Published with The New York Times and The Washington Post

PARIS, MONDAY, DECEMBER 18, 1978

Abu Dhabi 4.50 Dh. Gross 22 Dhs. Netherlands 1.75 Fl. 70 K.
Algeria 2.75 Ds. Iceland 150 Kr. Norway 3.25 N.Kr.
Austria 13.5 S. 100 Sch. 100 Sch. 100 Sch. 100 Sch.
Belgium 23 B.F. Israel 1.60 L.S. 1.60 L.S. 1.60 L.S.
Cyprus 250 Mls. Italy 2.00 Lit. 2.00 Lit. 2.00 Lit.
Denmark 3.72 Dkr. Jordan 2.00 D.D. 2.00 D.D. 2.00 D.D.
Dubai 4.00 Dh. Kenya 8.00 Sh. 8.00 Sh. 8.00 Sh.
Egypt 40 P. Kuwait 6.25 R. 6.25 R. 6.25 R.
Finland 3.00 F.M. Libya 1.00 D. 1.00 D. 1.00 D.
France 5.00 F. Madagascar 2.75 M. 2.75 M. 2.75 M.
Germany 3.00 M. Morocco 3.00 D. 3.00 D. 3.00 D.
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Established 1887



Chairman Hua Kuo-feng at his Peking news conference. At right is Foreign Minister Huang Hua.

OPEC Ends 2-Year Freeze, Raises Oil Price by 14.5%

ABU DHABI, United Arab Emirates, Dec. 17 (AP) — The Organization of Petroleum Exporting Countries decided today to raise the cost of a standard barrel of oil by 14.5 percent by October, 1979, ending a freeze on basic petroleum prices that OPEC had maintained for two years.

The rise will take place in four stages over next year, with the average increase for the year-long period working out to 10 percent. An OPEC communiqué warned that, if inflation and currency instability continue, cutting into oil states' revenues for their output, the cartel "will find it imperative to adjust fully for the effects of such inflation and dollar depreciation" in the future.

There was no official indication of when such additional price adjustments might be made. The price decision, announced by OPEC Secretary-General Ali Jaidah after a two-day oil ministers' meeting here, was presented by OPEC as a sign of moderation and goodwill toward other nations.

On Role in Peace Talks

Israelis Angrily Protest U.S. Official's Statement

TEL AVIV, Dec. 17 (AP) — The Israeli Foreign Ministry has expressed "serious protest and anger" over a statement it attributed to a senior U.S. official.

It did not name the official but said yesterday that he had claimed Israel "misled the world" about its position in the stalled Israeli-Egyptian peace talks.

Secretary of State Cyrus Vance was in Jerusalem Thursday to try to persuade the Israelis to accept Egyptian proposals. The Israeli Cabinet rejected them Friday and Mr. Vance returned to Washington empty-handed.

Parliament Will Decide Unity Issue

Belgian Vote Frames New Constitution

BRUSSELS, Dec. 17 (UPI) — More than 6 million Belgians voted today for a new parliament which will have to decide to what degree Belgium will remain united as a nation.

Voters went to the polls in cold but clear weather today. Voting is compulsory in Belgium. Only the sick and disabled are exempted.

Former Prime Minister Leo Tindemans has called it the most important election since Belgium was founded in 1830.

3 Killed in Ambush

By Philippine Rebels

MANILA, Dec. 17 (UPI) — An undetermined number of Communist rebels killed three persons and wounded two, including a policeman, in an ambush yesterday on the central Philippine island of Luzon, a newspaper reported today.

The Bulletin Today said a team of government-organized volunteer forces was on foot patrol at a hamlet 180 miles northeast of Manila when it was attacked by guerrillas of the New People's Army, the military arm of the banned Communist Party of the Philippines, a Maoist group.

Two Challenge Zambia Election

General Strike Scheduled Today by Iran Opposition

TEHRAN, Dec. 17 (Reuters) — Iran, already crippled by work stoppages in its civil service and oil industry, faces the prospect of a nationwide general strike tomorrow called by opponents of Shah Mohammed Reza Pahlavi.

Trade Pacts Remain Crucial to Survival

Taiwan's Reaction to Act Is Restrained

TAIPEI, Dec. 17 (NYT) — After a brief spasm of anger and outrage, the government of Taiwan responded with studied moderation yesterday to President Carter's announcement that the United States would sever diplomatic relations with Communist China and normalize relations with the People's Republic of China.

President Chiang Ching-kuo said in a television address last night: "I want to thank all those friends in America who have supported us. From now on the Republic of China will continue to strengthen the friendship and mutual interests of the two peoples."

Mr. Chiang, 68, spoke in solemn tones, but he showed none of the indignation that colored the government's first communique, drafted after a hastily convened meeting with the United States ambassador, Leonard Unger, at 2 a.m. yesterday.

Criticism Centers on Fate of Taiwan

Republicans Assail Normalization Plan

WASHINGTON, Dec. 17 (WP) — A major political storm has blown up over President Carter's surprise decision to recognize mainland China and scrap the U.S. defense commitment to Taiwan.

The president's Friday night announcement was endorsed by former President Ford, but it was denounced as a blow to U.S. international credibility by most other prominent Republicans.

Two key Democrats on the Senate Foreign Relations Committee joined Republicans in questioning whether Mr. Carter had fulfilled a legal requirement for "prior consultation" with Congress before announcing the end of the U.S.-Taiwan defense treaty.

China Signals No Seizure Of Taiwan

Administration Officials Say Move May Alter World Order

WASHINGTON, Dec. 17 (NYT) — White House officials said yesterday that the establishment of full diplomatic relations with China constituted a landmark decision that should lead to a fundamental realignment of global politics.

Senior White House and State Department aides said in interviews that President Carter's surprise decision to normalize relations with Peking on Jan. 1 would help move global politics away from a system dominated by two military giants, the United States and the Soviet Union, toward an international order composed of several major powers, including China.

The officials said Mr. Carter's dramatic announcement Friday night was the product of a highly secret series of discussions that began last summer. It was only last week, however, that the major breakthrough in the talks occurred, they said, when the White House learned that, although Peking still insisted that U.S. arms exports to Taiwan should be halted, it no longer made this a prerequisite to formal relations with the United States.

Washington To End Pact With Taipei

WASHINGTON, Dec. 17 (WP) — President Carter has announced "an historic agreement" under which the United States and the People's Republic of China will establish diplomatic relations on Jan. 1. He also announced that Teng Hsiao-ping, the powerful deputy premier of China, will visit the United States on Jan. 29.

The visit will be the first by a high-level Communist Chinese official since the end of the Chinese Civil War in 1949. It will end what administration officials described Friday night as "a 30-year anomaly in international affairs."

Simple Reality

"We do not undertake this important step for transient, tactical reasons," Mr. Carter said. "In recognizing that the government of the People's Republic of China is the single government of China, we are recognizing simple reality."

Speaking to reporters in the White House press room after his speech, an ebullient Mr. Carter said the new agreement would open "a new vista of trade relations with the almost one billion people of China."

Visit to Khomeini

Political interest centered today on a scheduled visit to the exiled leader of the Shiite Moslem opposition to the shah, Ayatollah Ruhollah Khomeini, by one of his chief lieutenants tomorrow near Paris.

It was Ayatollah Khomeini who called tomorrow's general strike, which he said was contrary to the Islamic faith. He was released from jail under an amnesty (Continued on Page 2, Col. 4)

Blow to Free World

In the communique the government said: "The decision by the United States to establish diplomatic relations with the Chinese Communist regime has not only seriously damaged the rights and interests of the Republic of China, but also has had tremendous adverse impact upon the entire free world."

Angry Group of About 100 Students and Workers Gathered Before the Embassy Last Night

The streets of Taipei were jammed with shoppers yesterday, but there were no major demonstrations. A thinly reinforced police guard stood at a barrier outside the two-story United States Embassy in downtown Taipei.

One big step by a debut politician, read the caption.

U.S., China to Set Up Full Diplomatic Ties

China Signals No Seizure Of Taiwan

By Linda Mathews

HONG KONG, Dec. 17 — Chinese Communist Party Chairman Hua Kuo-feng signaled yesterday that his government has no intention of invading Taiwan after the last U.S. troops are withdrawn from the Nationalist-held island next spring.

According to informed Communist sources here, an official document now circulating throughout China's vast Communist Party apparatus declares that it may take several generations before the two rival Chinese regimes can be reunited and, in the meantime, Taiwan will be permitted to retain its own economic and political systems.

The document, first distributed a week ago by the Central Committee, the policy-making body of the party, is being read over loudspeakers at thousands of factories, offices and communes, and has been hailed as the most sensible solution to the Taiwan problem, the sources said. The U.S. Consulate here has begun to detect references to the document in radio broadcasts from China's provinces, indicating that word of China's peaceful intentions toward Taiwan is reaching grass-roots Chinese.

Mr. Hua has also intimated to the rest of the world that China has no military designs on Taiwan. In a televised press conference yesterday, apparently the first ever held by a Chinese official of his rank, Mr. Hua called on "our Taiwan compatriots" to join mainland Chinese "in making further contributions" to the reunification of the country. (Continued on Page 2, Col. 5)

Administration Officials Say Move May Alter World Order

By Richard Burt

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The officials said Mr. Carter's dramatic announcement Friday night was the product of a highly secret series of discussions that began last summer. It was only last week, however, that the major breakthrough in the talks occurred, they said, when the White House learned that, although Peking still insisted that U.S. arms exports to Taiwan should be halted, it no longer made this a prerequisite to formal relations with the United States.

Obviously pleased with the new development, officials said that Mr. Carter's decision had met with widespread approval in foreign capitals and that the president had been congratulated by his two predecessors, Richard Nixon and Gerald Ford, and by Henry Kissinger, the former secretary of state.

Congressional Complaints

However, on Capitol Hill the administration's decision was seen by some critics as essentially abandoning Taiwan, and others complained about the lack of prior consultation with Congress.

There were suggestions, such as by those Sen. (Continued on Page 2, Col. 6)



A demonstrator outside the U.S. Embassy in Taipei is restrained by a policeman after the announcement that the United States would sever diplomatic relations with Taiwan and exchange ambassadors with the People's Republic of China. "This is the second time the United States has betrayed us," the man, a retired serviceman, shouted. "The first was on the Chinese continent."

Trade Pacts Remain Crucial to Survival

Taiwan's Reaction to Act Is Restrained

By Henry Scott-Stokes

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The streets of Taipei were jammed with shoppers yesterday, but there were no major demonstrations. A thinly reinforced police guard stood at a barrier outside the two-story United States Embassy in downtown Taipei.

An angry group of about 100 students and workers gathered before the embassy last night, shouting slogans and waving flags. They stood before a cartoon of a huge set of teeth, representing President Carter, on which a collapsed American flag lay in a heap.

"One big step by a debut politician," read the caption.

Anti-Communist Policy Affirmed

"I repeat firmly that we will never negotiate with Communist China," he continued. "To do so would amount to self-destruction. On the contrary, only if we stay firm in our anti-Communist policy can we build up our country."

Mr. Chiang said on television: "I warn my fellow countrymen that Communist China has exploited a weakness in the United States government and will from now on intensify its dirty tricks, seeking to divide, subvert and sabotage Taiwan."

But the government's only major decisions yesterday were to postpone elections that were scheduled for next Saturday for all 104 seats in the legislature, and to halt election campaigns.

Mr. Chiang accepted the resignation of Foreign Minister Shen Chang-huan, but he declined to allow the resignation of Premier Sun Yun-suan and named him to assume Mr. Shen's duties in addition to his own.

"Recognition of Communist China by the United States was not a surprise," said L.F. Wang, chairman of the Nationalist Party. (Continued on Page 2, Col. 1)

No Explicit Pledge

Briefing reporters after the speech, administration officials conceded that they had not obtained an explicit pledge from mainland China not to use force to conquer Taiwan.

But the officials maintained that such a position was implicit in the Chinese acceptance of the unilateral U.S. statement issued to coincide with the speech. The statement expresses the continued U.S. interest in the peaceful resolution of the Taiwan issue.

They also felt that the recent public statements by Chinese leaders, indicating that the Taiwanese (Continued on Page 2, Col. 7)

Criticism Centers on Fate of Taiwan

Republicans Assail Normalization Plan

By David S. Broder and Bill Peterson

WASHINGTON, Dec. 17 (WP) — A major political storm has blown up over President Carter's surprise decision to recognize mainland China and scrap the U.S. defense commitment to Taiwan.

The president's Friday night announcement was endorsed by former President Ford, but it was denounced as a blow to U.S. international credibility by most other prominent Republicans.

Two key Democrats on the Senate Foreign Relations Committee joined Republicans in questioning whether Mr. Carter had fulfilled a legal requirement for "prior consultation" with Congress before announcing the end of the U.S.-Taiwan defense treaty.

Sens. John Glenn Jr., D-Ohio, and Richard Stone, D-Fla., challenged Mr. Carter on the ground that he had scrapped the treaty without the consultation required by a unanimous Senate resolution

and a provision of the defense appropriations bill, both passed this year.

"Calling a few of us in one hour before he goes on television doesn't seem like much consultation," Sen. Glenn said.

The provision was added to the defense bill by Sen. Stone and Sen. Bob Dole, R-Kan., who said it was "obvious there has been no full consultation with Congress."

But while Sen. Dole was demanding that "our defense commitment to Taiwan remain intact," Mr. Ford, his 1976 GOP running mate, was weighing in on Mr. Carter's side of the burgeoning debate.

In a statement from his California home, Mr. Ford said, "Based on my understanding of the terms for normalization, I approve of the action to be taken by the Carter administration."

Mr. Ford's was one of very few voices of Republican support, however, and party chairman Bill Brock led a chorus of criticism that included leaders of both the moderate and conservative GOP wings.

George Bush, a former head of the U.S. liaison office in Peking and a 1980 Republican presidential hopeful, said, "We gave all and got nothing." He said he favored improving relations with Peking, but he feared that "in acquiescing to China's... demands, with no apparent guarantee of a Taiwan solution, we are simply diminishing U.S. credibility around the world."

Most Democrats rallied to Mr. Carter's side. Sen. Edward Kennedy of Massachusetts said the establishment of "normal and enduring relations with 900 million people on the mainland" was fully compatible with "assuring the peace and prosperity of the people on Taiwan."

Senate Majority Leader Robert Byrd, D-W.Va., called normalization "a natural and positive advancement... that will contribute (Continued on Page 2, Col. 2)

U.S. Ties Climax Intense Peking Debate, Policy Shifts

By Jay Mathews

HONG KONG, Dec. 17 (WP) — China's sudden agreement to full diplomatic relations with the United States climaxes a month of extraordinary debate in Peking and two years of dramatic shifts in Chinese foreign and domestic policy.

In a single stroke, the Chinese have cast aside their refusal to allow continued American arms sales and other guarantees of Taiwan's security in any normalization arrangement and have announced the first visit of a top Chinese Communist leader to Washington.

The decision opens the way for wide-ranging diplomatic, social and economic contacts between the world's richest nation and its most populous nation.

Coupled with China's recent landmark friendship treaty with Japan and an explosion of international trade and diplomatic contacts, the announcement of full relations with the United States and Vice Chairman Teng Hsiao-ping's scheduled January visit revealed a daring Peking decision to solidify ties with the West and build the Chinese economy regardless of socialist ideology and national pride.

The decision, apparently made at a series of top-level meetings in Peking in recent weeks, suggests that the Chinese are deeply concerned by reported Soviet efforts to bolster forces on the Chinese border, by Moscow's new ties with Vietnam, and by the growing Vietnamese assault on China's ally, Cambodia.

Violation of Principle

By accepting the continuation of U.S. arms shipments to Taiwan, Peking has essentially endorsed American intervention in what it considers a civil war — a violation of Chinese principle that many diplomats here thought no Peking government would ever sanction.

At a press conference held in Peking to announce the normalization decision, the Chinese Communist Party chairman, Hua Kuo-feng, repeated the usual Chinese contention that "we can absolutely not agree" to limited arms sales to Taiwan. But he indicated China's decision to actually allow the sales by saying that although "our two sides had differences on this point," nevertheless, we reached agreement on the joint communiqué.

The sudden turn of events is a triumph for Mr. Teng, who has pushed his pragmatic line in for-

sign and domestic affairs since he returned to power in July, 1977, after his unprecedented second political purge. The decision also provides a major landmark in the new era of reforms that began in China with the death of Mao on Sept. 9, 1976.

Mao made the first move to improve relations with the United States when he invited President Richard Nixon to Peking seven years ago, but he never appeared ready for an agreement that is as

favorable to continued U.S. ties with Taiwan as this one.

The Chinese need American backing to discourage the Soviet Union from any serious border intervention while they build up their ill-equipped and undertrained armed forces. U.S. approval of sales of European arms to China would also help speed the strengthening of China's defenses.

Even more importantly, Peking needs American technology and financial resources to meet its goal of

full industrialization by the 21st century. Trade contacts have increased without normalized relations between the two governments, but full diplomatic ties — and what is expected to be a quick solution to a 30-year problem of frozen assets — will allow American banks to provide speedy loans and allow the Chinese to take advantage of lower tariffs and other benefits.

Every major Chinese change in domestic or foreign policy in the

last 30 years has brought some kind of significant adverse domestic reaction, however. The Peking government continues to complain of resistance to its new, pragmatic policies from officials who remain loyal to the ideals of national self-reliance and internal class struggle formulated by Mao.

If the government experiences any significant failure in its effort to increase overall living standards and food supplies and to lower the rate of population growth, holdovers from the Mao era voicing nominal support for the government could rise again to challenge the turn toward pragmatism.

Age Is Factor

Mr. Teng is 74. His age, and the advanced age of many of his most capable aides among the veteran pragmatists in the government, leaves some doubt as to future Chinese policy. Mr. Teng's nominal superior, Mr. Hua, has appeared to defer to him in most important domestic and foreign decisions in the last year, but Mr. Hua has indicated some opposition to the new scientific and technical elite that Mr. Teng wants to encourage in order to speed modernization.

Many of Mr. Hua's potential allies among holdovers from the Mao era have been purged from important provincial and central offices in the last two years, but it remains possible that they could rise again, just as Mr. Teng himself did after being purged twice by Mao.

Mr. Teng has told interviewers that he wished to visit the United States at least once before he went to "Mao." He addressed the United Nations General Assembly in New York in 1974, but that was not considered an American visit. He remains the leading Chinese negotiator on relations with the United States and led the talks with Secretary of State Cyrus Vance in Peking in August, 1977.

The sudden normalization announcement indicates that the series of meetings at the Central Committee level that reportedly have been held in Peking in recent weeks have touched all major foreign and domestic problems.

The timing of the normalization decision suggests that an outpouring of wall posters in several Chinese cities, calling for reforms in foreign and domestic policy, may have been encouraged in part by Peking leaders who were seeking to persuade recalcitrant colleagues.

The normalization announcement also coincides with a period of great tension on China's border with Vietnam. Peking sternly warned Hanoi last week of serious consequences if it continued to make short raids into China. Vietnam has replied with allegations of Chinese incursions into its territory, and there have been reports of military preparations on both sides.

China Signals Taiwan Plans

(Continued from Page 1)

tions to the cause of reunifying China.

As recently as March, Mr. Hua was stridently urging "the liberation of Taiwan by whatever means are necessary," an oft-repeated slogan. But in announcing the sudden normalization of Chinese-U.S. relations, Mr. Hua dropped all references to "liberation" and instead spoke only of "reunification."

His conciliatory approach was echoed by an editorial in today's editions of People's Daily, which said, "We are thinking of our Taiwan compatriots all the time, and the motherland, we know, is always in the minds of the people of Taiwan." The editorial endorsed reunification but said that it would be a lengthy process.

"We are firmly convinced that the day will definitely come when Taiwan will return to the embrace of the motherland and when our fellow countrymen there will be reunited with their kin on the mainland," the newspaper said. It is not known how what promises the Chinese have made privately to the Carter administration about Taiwan's fate. In recent talks with other world leaders, however, the members of the Chinese hierarchy have pointedly disavowed use of force against Taiwan.

Assurance in Japan

In October, for example, according to Japanese sources, Deputy Premier Teng Hsiao-ping assured Takeo Fukuda, then premier of Japan, that the Chinese would never mount an assault on Taiwan.

Mr. Teng reportedly admitted what many Western defense specialists have long believed, that the mainland lacks the military capability for an invasion and that Taiwan is potentially such an important economic asset to the Chinese that it must be spared.

Mr. Teng's remarks were immediately relayed to the United States, as he undoubtedly expected, Japanese diplomats say, and may have paved the way for normalization.

Politburo Faction

Anticipating considerable congressional opposition to the abrogation of the 1954 mutual-defense treaty that has bound the United States to Taiwan, the Carter administration had hoped for an on-the-record promise from Peking that Taiwan would not be liberated forcibly.

The Hua regime balked at that, out of national pride and apparently some concern that such a promise would antagonize a powerful faction of the Politburo, led by military figures such as Vice Chairman Yeh Ching-ying and Defense Minister He Xiang-qian.

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Another 'Reality to Reckon With'

U.S. Move to Test Russians on SALT

By Kevin Klose

MOSCOW, Dec. 17 (WP) — Leonid Brezhnev, in a pugnacious toast six weeks ago to a new Soviet-Vietnamese friendship treaty that is aimed squarely at China, declared the pact to be "a political reality and whether they want it or not, they will have to reckon with this reality."

Yesterday, a Chinese source permitted himself a smile as he recalled Mr. Brezhnev's words and savored the unpleasant political reality confronting the Kremlin: the announcement by President Carter that the United States and China would establish normal diplomatic relations Jan. 1.

The diplomatic breakthrough is the most spectacular achievement of the new Chinese leadership since it began this year to break decades of isolation and challenge the Soviet Union around the world while seeking aid from the capitalists to modernize its economy.

Unpleasant Lesson

The Soviet leader's toast of Nov. 3 neatly summarizes the Kremlin's predicament: It is something they will have to learn to live with and it is going to be less than pleasant learning.

The news comes at a delicate moment in the U.S.-Soviet relationship, which is on the upswing after more than a year of friction. The two nations are nearing completion of a new arms limitation treaty, which could lead to a Carter-Brezhnev summit as early as next month in Washington.

Soviet apprehensions about the Chinese have increased in recent months, triggered by Peking's dip-

lomatic successes in such places as Japan, Romania and Yugoslavia, where the Russians have long had important interests in minimizing the Kremlin's concern over Peking's success has been immeasurably sharpened by the seeming readiness of France and Britain to sell China advanced weapons, such as the Harrier jet fighter, and anti-aircraft missiles, and to find financial credits for other major deals the Russians would like to have.

Diplomats here were stunned by the news, saying that they had not expected the White House to arrange for the resumption of full relations before the Brezhnev-Carter summit. The Russians have stated that the SALT treaty is too important to be affected by any other bilateral concerns. The Carter timing is going to put that to the test, one Western diplomat observed.

Glimpse in Geneva

He said that the first real Soviet reaction may come at the Geneva talks next week between Secretary of State Cyrus Vance and Soviet Foreign Minister Andrei Gromyko. It had been thought by several well-informed Western sources here that the Geneva talks would wrap up the last, stubborn issues on the SALT II treaty and clear the way for a summit.

Beyond a brief news item by Tass, there has been no public Soviet comment here. Some diplomats speculated that Peking-Washington normalization could act as a spur to the Russians to reach an agreement on SALT more quickly — as a means of cementing the special relationship they say hinges on the arms pact, which is described by

Soviet officials as the heart of détente.

European and Asian diplomats today expressed virtual unanimity that the Russians will find it difficult to raise initial objections over the normalization. "This is something they have criticized the U.S. for not having for perhaps 20 years," one senior diplomat said. "Of course, their view has changed a little from former days, but I should think they will find it difficult to complain about."

At the same time, these sources say that they believe that the Russians would view with alarm any U.S. effort arising from normalization to begin arms or technology transfers to China in a major way. "That's the bottom line for them," one source said. "It is something they have made quite clear on many occasions."

Anger at Japan

The Soviet attitude toward Peking has hardened this year in the face of continued Chinese successes in diplomacy and at the negotiating table. The principal cause of Kremlin anger and alarm this fall is the Sino-Japanese peace and friendship treaty, which contains an "anti-hegemony" clause that the Russians interpret as directed at them to blunt their legitimate attempts at influence in Asia.

The Peking-Washington communiqué has a similar anti-hegemony clause, pledging the two nations not to seek hegemony in Asia or elsewhere and to oppose similar attempts by any other nation. The Kremlin seems certain to view the clause as aimed at it and this may be where the strongest Soviet reaction will come.

What form such a response could take is unclear. The Russians in recent months have issued a variety of warnings to the West in general, and to the United States in particular, against trying to play the "China card." Initially, the Kremlin ire was directed at Mr. Carter's national security adviser, Zbigniew Brzezinski, but then it broadened into more general warnings.

Brezhnev Predicts Regret

In a June speech in Minak, Mr. Brezhnev said that the White House was pursuing "a short-sighted and dangerous policy" in its attempts to strengthen ties with China. "Its architects may bitterly regret it," he declared.

Last month, Georgi Arbatov, a senior adviser to the leadership on U.S. relations, said in an interview with a Western journalist that while the Soviet Union is not "scared by China," it favors normalization, "the situation would look different to us if China established itself as a 'some sort of military ally of the West.'"

"If such an axis is built on an anti-Soviet basis, then there is no place for détente," he said.

Military Alliance Alleged

MOSCOW, Dec. 17 (AP) — The Soviet military newspaper Krasnaya Zvezda said today that the United States was striving to create a "military-political bloc" along with Japan and China, aimed against the Soviet Union.

Shah's Foes Call a Strike

(Continued from Page 1)

nestly declared by the shah six weeks ago. Opposition politicians here doubted that Ayatollah Montazeri, who was freed after serving 3.4 years of a 10-year sentence, would try to persuade Ayatollah Khomeini to return to Iran. "That decision is Khomeini's alone," one said. "I don't think he will come back until the shah goes."

Another opposition politician said that he believed Ayatollah Montazeri was going to Paris to sort out problems in the entourage of Ayatollah Khomeini. Some Tehran clerics have been prevented recently from seeing the 78-year-old religious leader, the politician added.

In Paris, informed sources said Ayatollah Montazeri was ill and might be coming to France partly to receive medical treatment. They did not disclose the nature of his reported illness.

Figurehead Plan Reported

TEHRAN, Dec. 17 (WP) — The shah has agreed to become a figurehead monarch in an effort to preserve his dynasty, a close associate said today.

Jafar Sharif-Emami, who was prime minister for a little over two months until a military-led government came into power in early November, said the shah was now "convinced that for the health of the country and the benefit of the dynasty he should reign [but] not rule."

The trouble is," Mr. Sharif-Emami added, "people don't believe it yet."

Hayakawa 'Furious'

WASHINGTON, Dec. 17 — Some of the angriest reaction to the president's announcement came from Sen. S.I. Hayakawa, R-Calif., Friday night.

Declaring that he was "pretty damn furious," the senator said, "We've given diplomatic recognition to perhaps the world's greatest concentration camp."

Taiwan's Reaction to Act Is Restrained

(Continued from Page 1)

of a foreign-affairs committee in the legislature, "but the timing was a shock, on the eve of elections."

Mr. Chiang expressed a need to "strengthen the friendship and the mutual interests of our two peoples," leaving little doubt that the government had embarked on a course of moderation toward the United States.

The reasons seem self-evident: The United States is Taiwan's largest trade partner. Trade last year between the two amounted to \$3.6 billion of a total foreign-trade figure of \$17.9 billion. The two nations, Mr. Chiang in effect noted, are bound by trade. Taiwan, though a vigorous and rapidly expanding commercial nation of 17 million persons, is overwhelmingly dependent on this trade. Taiwan's foreign trade nearly equals its gross national product.

Threat Is Minimalized

According to Chang Kuang-shih, the minister of economic affairs, Taiwan is not necessarily threatened by the United States recognition of Peking. "We recognize that there will be a serious effect on the economic stability of Taiwan, for all that it is regrettable," he said. "Everyone knows that Taiwan has plenty of foreign reserves [at \$6.5 billion], booming foreign trade."

She said that "the government will continue with its policy of free trade, stepping up imports in the future."

U.S. businessmen here expressed confidence in Taiwan. "This move has been anticipated by American investors for a long time," said Robert Parker, president of the United States Chamber of Commerce here. "I am confident that normalization will in no sense affect the confidence and investments of Americans in Taiwan."

He predicted that the move would expand the nations would expand. He criticized President Carter's decision to sever relations with Taiwan, however, as "a historic mistake."

Kent Price, a vice president of Citibank here, said that the bank would remain in Taiwan "by all means." And a graduate student at Tam Kang College of Arts and Sciences, Dick Tai, commented, "It is better this issue is solved, the sooner the better."

"We have been humiliated long enough by the Americans," said Tai. "It is time that we face reality. There should be no problem at all as long as we stand together tall and firm."

A major unanswered question, however, is how the United States should deal with the many treaties with Taiwan. These cover trade, nuclear fuel supply, and scientific, educational and other matters vital to Taipei. Defense issues may be less important by comparison. About \$1.66 billion, 48 percent of the \$3.45 billion fiscal 1978 budget, went for defense. Taiwan has an army of more than 500,000, with reserves of 2 million.

A well-armed Taiwan may thus be more than ready to meet any naval assault by China across the Taiwan Straits, though the future of U.S. arms deliveries is uncertain after the strong attack yesterday by Chairman Hua Kuo-feng of China on a Washington statement that these deliveries may continue.

But Taiwan's economic ties with the United States are another matter. They appear almost indispensable, because Taiwan much prefers to do business with the United States, a business based in part on textiles and electronics, than with Japan, once colonial master of the island.

The United States' method of normalizing relations with Peking, breaking diplomatic ties here but maintaining full commercial relations, appears in the last resort to be acceptable to Taipei. The departure of 2,000 U.S. servicemen and the termination of the 1954 mutual-defense pact by the end of next year is unwelcome here, but spokesmen for widely diversified interests said that they regarded this as inevitable.

1,000 Protest U.S. Decision

TAIPEI, Dec. 17 (AP) — About 1,000 persons gathered briefly today in front of the U.S. Embassy, where a "Nationalist Chinese flag" had replaced the U.S. flag, to protest the establishment of relations between mainland China and the United States. Police said that there were no violent incidents and no arrests.

Sen. Harrison Williams Jr., D-N.J., was one of many backers of the Carter move who cited the enormous trade possibilities now that the "obstacle" of Taiwan's recognition has been removed.

Much of the reaction followed predictable lines. Rep. Philip Crane, R-Ill., a declared candidate for the 1980 presidential nomination, said the action was "a contradiction of President Carter's own human-rights rhetoric" and "can only contribute to a belief that the word of the United States can't be trusted."

Sen. Frank Church, D-Idaho, new chairman of the Foreign Relations Committee, said Mr. Carter's decision "finally brings American policy into line with Asian realities."

'Positive Step'

Sen. Alan Cranston, D-Calif., the Democratic whip, called the move "a very positive step toward world peace."

But Rep. Robert Bauman, R-Ma., labeled it "the greatest act of appeasement" since Neville Chamberlain went to Munich, and said it would stir a battle that would "make the Panama Canal treaty fight minor by comparison."

Hayakawa "Furious"

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Peking residents clamor for copies of People's Daily announcing U.S.-China relations.

Officials Call China Decision Landmark

(Continued from Page 1)

Bob Dole, R-Kansas, that the announcement of diplomatic ties with Peking was timed by the White House to offset the new problems that have emerged in efforts to reach a political settlement in the Middle East, but this was strongly denied by White House officials.

"The process of reaching an agreement had a momentum of its own," said a senior White House official. "It was unconnected with domestic considerations and was brought about by the decision of the Chinese to accept our terms for the establishment of relations."

Officials noted two primary benefits of normalization: It would establish strong trade and technological links with China and at the same time give the United States greater diplomatic flexibility in East Asia and worldwide.

Timing Said Unconnected

They also predicted that the step would not worsen ties with the Soviet Union nor interfere with efforts to conclude quickly a strategic arms agreement with Moscow. And in emphatic terms, the aides emphasized that the timing of the decision was not connected with a possible summit meeting early next year between Mr. Carter and Soviet President Leonid Brezhnev.

"This was a strategic development in its own right," Zbigniew Brzezinski, Mr. Carter's assistant for national security, said, in an interview. "It was not directed toward the Soviets or anyone else, but was designed to accomplish our objective of shaping a more open, pluralistic international system."

On the strategic aspects of the new relationship with China, a senior Defense Department official told reporters yesterday that it would clearly help the national security of the United States and enhance the situation of U.S. forces in the Western Pacific. This view was shared by the Joint Chiefs of Staff, he added.

The official said an overriding consideration in agreeing to normalization with Peking now was the administration's view that it would be much more difficult to accomplish at some future time if China's relations with the United States were to deteriorate or if China's relations with the Soviet Union were to change.

Summit Pressure

One of the chief factors driving Peking to complete talks on normalization, State Department officials said privately, was the likelihood of a Carter-Brezhnev summit early next year. They said Mr. Carter's invitation to Teng Hsiao-ping to visit Washington next month, which was evidently issued at a crucial point in negotiations earlier last week, may have had a decisive impact on the Chinese decision to accept his terms for normalization.

The officials also said that formal ties between Washington and Peking would be bound to affect Moscow. But rather than upsetting U.S.-Soviet ties, several aides predicted that the new developments

would make Mr. Brezhnev more interested than ever in completing a new arms accord with Mr. Carter.

"Whether the White House will admit it or not," said one State Department official, "Mr. Carter's move has had the effect of establishing the 'triangular relationship' between Washington, Peking and Moscow that the two previous administrations saw as the bedrock of their foreign policy."

Although Mr. Carter's decision to terminate the mutual-defense treaty with Taiwan has already provoked strong criticism from conservative ranks, officials argued that nothing in either the joint Chinese-U.S. communiqué or the unilateral statements of both parties jeopardizes the security of the island.

In this regard, they note that Mr. Carter's unilateral statement reaffirms that the United States continues to have an interest in the peaceful resolution of differences between China and Taiwan, and that Peking's own statement, released by Chinese Premier Huang Hua, does not contradict this.

Although the U.S.-Chinese communiqué says that after Jan. 1 Taiwan will be considered part of mainland China, the United States has reserved the right to continue "unofficial" economic and cultural contacts with the island.

U.S. to Recognize China, Drop Ties With Taiwan

(Continued from Page 1)

counterbalance to the Soviet Union. Earlier in the evening, administration officials confirmed that Treasury Secretary Michael Blum would be traveling to China shortly for a broad discussion of financial and trade matters. Among the subjects on his agenda will be the complex problem of the Chinese and U.S. assets that have been frozen in the two countries since 1950. These would have to be freed as part of the normalization process.

The United States claims that about \$200 million worth of U.S. assets in China were seized at the end of the civil war. China is seeking about \$80 million in blocked assets.

\$300-Million Project

On Weather Begun

WASHINGTON, Dec. 17 (Reuters) — A \$300-million project to improve weather forecasting in the next decade is under way, according to Richard Frank, head of the U.S. National Oceanic and Atmospheric Administration.

Mr. Frank said the project, begun Dec. 1 and involving 147 countries, would concentrate on the tropics and the vast ocean in the Southern Hemisphere. The project would go on until Nov. 30 and will use four polar satellites, 50 ships, 110 aircraft, 300 high-altitude balloons and 300 buoys. The data will be processed in several countries.

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On the U.S. side, there has been a strong interest for some time in reaching normalization with the Chinese — both to enhance the U.S. position in Asia and as a

OPEC Raises Price of Oil by 14.5%

(Continued from Page 1)

half-way between the appeals of Saudi Arabia, Kuwait, the United Arab Emirates and other moderate nations for a price increase of about 5 percent, and the demands of such pricing "hawks" as Iraq and Libya for 25-percent increases.

The ministers lashed out in their criticism at the wasting of oil, and the oil minister of the United Arab Emirates, Sheikh Mansur al-Otaibi, said that "I feel very strongly that oil is not the way of cheap fuel." He added, "Oil is not used in the best way and the source of energy in the very near future are very limited."

Mr. Otaibi said the increase decided on today "was very reasonable and gradual." OPEC nations have seen their balance-of-payments surplus dip from \$65 billion in 1974 to an estimated \$15 billion for this year. While all OPEC countries had a surplus in 1974, after the quadrupling of world oil prices in the 1973-74 period, the cartel's eight most populous nations are expected to have a deficit of a half-billion dollars in 1978.

There was no precise way to predict how the increase will affect prices for petroleum products in industrialized countries. Some specialists have warned that the price of U.S. gasoline could eventually reflect the whole size of the decision here, a rise that would eventually raise the price of a 60-cent gallon of gasoline to 68.7 cents.

In Western Europe, the effect on gasoline prices is expected to be smaller because about 80 percent of petrol prices there is accounted for by taxes, rather than by the cost of the original oil. But it was impossible to calculate precisely how the decisions here will affect any consumer prices because of the numerous middlemen, transportation and variable labor costs in the oil industry.

The OPEC decision fell roughly

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To Justify Arms Sales

Soviet-Taiwan Tie Hinted By Carter in China Talks

By Don Oberdorfer and Edward Walsh

WASHINGTON, Dec. 17 (WP) — President Carter told a Chinese emissary in the Oval Office on Sept. 19 that the United States intended to continue supplying arms to Taiwan indefinitely as a contribution to Asian stability and to forestall developments that would be undesirable from the viewpoint of both big powers.

Mr. Carter did not spell out the obvious danger of a future Moscow-Taiwan military relationship in his talk with Chai Tse-min, newly arrived chief of the Chinese Liaison Office, according to informed U.S. officials, but there was little doubt among those officials that Mr. Carter's point was understood by the Chinese.

The president's justification for continuing U.S. arms sales to Taiwan, one of the most delicate and difficult issues in almost six months of secret negotiations with Peking, was disclosed yesterday as Carter administration officials defended the normalization of diplomatic relations with China — announced Friday night — and where it may lead.

Other Developments

Among other developments:

• A senior Defense Department official said that military analysts do not believe China could invade Taiwan successfully for at least five years, and that the analysts do not believe that China has any intention of launching such an invasion.

• Treasury Secretary Michael Blumenthal and Commerce Secretary Juanita Kreps began making plans to go to Peking early next year for talks about expanded trade relations and the settlement of financial claims pending since the Communist takeover of China in 1949.

• Sen. Bob Dole, R-Kan., charging that the Carter administration caved in to Chinese demands, called for early hearings by the Senate Foreign Relations Committee on future U.S. relations with Taiwan.

• A senior administration official said the China move probably would mean a net gain in the Senate for the expected Strategic Arms Limitation Treaty with the Soviet Union. The official said that the United States still hopes that Soviet leader Leonid Brezhnev will come to Washington to sign a completed SALT treaty in mid-January, before the Jan. 29 visit here of Chinese Vice Premier Teng Hsiao-ping.

Most attention in Washington yesterday centered on the arrange-

ments affecting Taiwan, the most politically sensitive part of the newly announced accord both here and in Peking.

Officials said that the U.S. objective was to achieve the substance of Chinese peaceful intent regarding Taiwan and to enhance U.S. confidence in a peaceful settlement there, even though an explicit Chinese statement of peaceful intention was considered unobtainable. China firmly regards the future reunification of Taiwan with the mainland as an internal matter.

The United States acceded to the three basic Chinese conditions: sever diplomatic relations with Taiwan, withdraw all U.S. military forces, and cancel all existing treaties. Nonetheless, in the administration view, the lengthy and highly secret negotiations produced three accomplishments regarding Taiwan's future.

First, the United States insisted successfully that the Mutual Defense Treaty with Taiwan will be terminated with one year's notice as provided in the document rather than scrapped overnight. The effect of this, officials noted, is that the United States will have both a defense pact with Taiwan and diplomatic relations with Peking for a year from Jan. 1, 1979, when a formal treaty termination notice is to be given Taiwan and relations established with China.

U.S. Statement

Second, the United States insisted on stating that it "continues to have an interest in the peaceful resolution of the Taiwan issue and expects that the Taiwan issue will be settled peacefully by the Chinese themselves." Another part of this arrangement is that the Chinese would not make any statement contradicting the U.S. stand.

Third, and perhaps most difficult, the United States insisted on continuing the sale of arms to Taiwan even after normalization of relations with Peking and termination of the military pact with Taiwan.

The eventual solution, in this case, was a carefully crafted set of statements at a White House briefing Friday night and by Chinese Communist Party Chairman Hua Guofeng in an unprecedented news conference in Peking.

The Americans announced that the sale of defensive arms to Taiwan on a "restrained" basis will continue. Mr. Hua announced that "we can absolutely not agree to this; but that, nevertheless, normalization of relations with Washington will go forward."

that address without her knowledge. Once she became aware of the possible voter fraud, she said she kept silent out of fear of retaliation from Mr. Jones.

Affidavits Required

Anyone registering to vote here in 1975 was required to sign an affidavit affirming that his residence was in San Francisco, but the declarations were not checked.

Mr. Jones's adherents probably numbered about 5,000 — a sizable bloc in a city where the average voter turnout runs close to 200,000.

In the runoff election for the mayor's office in 1975, for example, Mayor Moscone was elected by just 4,000 votes, and Mr. Freitas won by less than 10,000.

Following an election, Mrs. Johnson said, members were required to produce ballot stubs showing that they had voted. Non-voters, she said, were "pushed around, roughed up, physically abused."

After the 1975 election, Mr. Freitas, the new district attorney, began an inquiry into reports that large numbers of people had voted illegally. When he learned of this investigation, Mrs. Johnson said, Mr. Jones grew concerned.

Mr. Freitas placed Timothy Stoen, a newly hired deputy district attorney who was also a longtime member of the Peoples Temple and chief legal adviser to Mr. Jones, in charge of the investigation. Although about 50 persons were indicted, none was a member of the Peoples Temple.

Although former cult members said that Mr. Jones and his followers worked for the election of Mr. Freitas, Mr. Freitas said that he had not been aware of their support or of the cult's existence until after his election.

Mr. Freitas was among those who attended a testimonial dinner in Mr. Jones' honor, and last year the Peoples Temple sent a check for \$400, drawn on its own account, to an organization calling itself the Friends of Freitas.

The Peoples Temple is a nonprofit California corporation that has claimed exemption from federal taxes on religious grounds. As such, it would be prohibited from making contributions to political candidates.



Mayor Dennis Kucinich unsuccessfully urges City Council to approve fiscal rescue plan.

\$15.5 Million in Loans Unpaid

Cleveland Defaults as Deadline Passes

By Reginald Stuart

CLEVELAND, Dec. 17 (NYT) — This city went into fiscal default yesterday when its government failed to repay \$15.5 million in loans to a group of local banks and the city treasury.

As Friday's midnight deadline for repayment of the loans passed, the City Council had not acted on the fiscal rehabilitation plan proposed by Mayor Dennis Kucinich. Operating under parliamentary procedures that prohibited a formal vote on the mayor's plan, the council adjourned at three minutes past midnight without considering the proposal.

Mayor Kucinich and his staff began preparing plans yesterday to lay off 3,000 to 5,000 city employees, beginning tomorrow, to conserve the city's limited supply of cash.

The crisis is a result of the city's shrinking income compared with the cost of operating government and, say financial experts, improper management of its funds in the past. The city anticipates a deficit this year and next year, has a \$52 million bond deficit and has \$40 million in short-term loans due within the next 12 months.

"There's no way that layoffs can be avoided," the mayor said yesterday. "We're at the confluence of a number of events — default, anticipated demand of debts from creditors, and inability to issue bonds and no rescue plan approved." Those interlocking elements have placed the city in a position where it is impossible to maintain thousands and thousands of city employees. The city employs a total of 10,000 workers.

Political Battle

The council members had gathered at City Hall Friday for an 11 p.m. emergency session called by the mayor, who was seeking to surmount stiff council opposition before the deadline, which had been set by the bank creditors.

Despite the emergence of numerous plans and proposals, alternatives and options, a political war witting the mayor against the majority of the City Council and much of the business community failed to subside in time for the three groups to agree on some plan that would have provided for payment or refinance of the \$15.5 million as well as other loans that fall due next year.

Fiscal default, a term generally used to describe the point at which a city fails to pay fixed debts on loans or bonds on time, could have grave implications for this once thriving industrial city of 650,000 persons, the largest city in Ohio. It does not necessarily mean that bankruptcy is imminent. Neither the city nor its creditors have sought court intervention in the city's affairs for settling its debts.

Although many of those who filled the stately Cleveland City Council chambers Friday night expressed shock and dismay that the city not its creditors had sought court intervention in the city's affairs for settling its debts.

The bankers and council members wanted any rescue plan to include the sale of the plant, and the mayor refused to go along with it. The council members and the business community cited the plant as a worthless drain on the city. The mayor used the plant as the cornerstone of his "urban populism" politics by insisting on keeping it as a check on private power.

The pressure to force the 32-year-old mayor's unyielding hand has been intense. A group of City Council members took the mayor to court two weeks ago seeking a court order for the mayor to sell the Municipal Light Plant in accordance with a 1977 ordinance to that effect.

Friday night, the stakes grew higher when the Cleveland Trust Co., the city's biggest bank and one that balked at the mayor's fiscal rescue program, offered to buy \$50 million in bonds from the city if the mayor would sign a City Council-sponsored resolution that provided

fiscal rehabilitation for the city tied to the sale of the light plant. The mayor, however, denounced the banks and the council for making such a proposal, calling it "blackmail."

There were these other developments: • Mr. Kucinich, in a last-ditch attempt to stave off default, called the White House yesterday asking for an advance on the city's federal revenue-sharing funds. The request was rejected as "impractical," according to a highly placed administration official.

The general feeling in Washington, both in the administration and

among urban organization representatives, is that the Cleveland situation is a unique product of bizarre politics and bad management and that the state of Ohio and the city have the capacity to solve the problem.

A spokesman for Gov. James Rhodes said yesterday that Tom Moyer, assistant to the governor, was monitoring the developments but had no action plan. Gov. Rhodes is on Christmas vacation in Fort Lauderdale, Fla., and the state constitution prohibits the state from interfering with the affairs of a chartered city, which Cleveland is, without being asked.

Rickover Shipyard Study Cited Radiation Problems

By Bernard Weinraub

WASHINGTON, Dec. 17 (NYT) — Two months before Adm. Hyman Rickover, the head of the U.S. Navy's nuclear-submarine program, testified that there were no radiation problems at the Portsmouth Naval Shipyard in New Hampshire, the admiral privately informed the Navy of serious radiation hazards at the yard, a Ralph Nader organization said yesterday.

The organization, issuing copies of Adm. Rickover's confidential report to the Navy as well as his congressional testimony, urged Defense Secretary Harold Brown to provide "a straightforward explanation for the apparent discrepancy between the public and private versions of conditions at Portsmouth."

In a long statement responding to the charge, the Navy charged the Nader group with being both inaccurate and misleading. It said that "over the last dozen years, the total radiation exposure to shipyard workers has been cut in half, even though the number of nuclear-powered ships has nearly doubled."

The Navy added that "in the last decade, no one has received more exposure to radiation associated with naval nuclear-propulsion plants than allowed by federal regulations."

The statement said the admiral's language in his confidential report was "strong" because he demanded "high performance standards of all shipyards." But it added that the "deficiencies" listed at Portsmouth were not severe enough to be considered as probable violations of federal regulations.

The Nader report was issued by

the Critical Mass Energy Project, which is part of Public Citizen, one of the consumer activist's organizations. The report indicated that Adm. Rickover's comments before a House Interstate and Foreign Commerce subcommittee on Feb. 28 conflicted with an internal 37-page inspection report that Adm. Rickover sent to the Navy on Dec. 30, 1977.

Adm. Rickover told the House Subcommittee on Health and the Environment, "To the best of our knowledge, ability and to the best scientific evidence we have, we do not see a problem" in radiation at the base.

But in his confidential report, Adm. Rickover noted that the Portsmouth shipyard, which services nuclear-powered submarines, faced major problems largely because 80 percent of its personnel had failed written exams for radiation-control procedures.

This resulted, Adm. Rickover's report said, in an "unsatisfactory rate" of high-radiation incidents at the shipyard, problems in the yard's radiation-protection program, inaccurate radiation surveys and record-keeping and unnecessary worker exposure.

Details about the high rate of cancer deaths among civilian workers on nuclear submarines were disclosed earlier in the year by Dr. Thomas Najarian, a blood specialist at the Veterans Administration hospital in Boston. At the time, Dr. Najarian said that workers on nuclear submarines at the Portsmouth yard had a cancer rate that was more than twice the national rate.

The Boston Globe reported the findings on Feb. 19.

Money Runs Out, Stranding Students From Abroad

Foreigners Fail to Save a U.S. College

By Michael Knight

PUTNEY, Vt., Dec. 17 (NYT) — Windham College began closing its doors Friday. It was the latest in a growing list of small liberal arts schools unable to survive in an era of declining college enrollments.

The tiny school's closing, which was announced Thursday morning after money for food and heating oil ran out, will strand more than 75 students brought into the country from Iran and Jordan in a last-ditch attempt to keep the school alive. In September, before the foreign students arrived, the college had an enrollment of about 180.

The foreign students are part of a group of 500 recruited each year by a Pennsylvania educational consulting company that attracts students with glowing descriptions of a quality education in the United States and then turns them over, for a fee, to financially ailing schools here otherwise unable to fill seats.

The halls of the college's administration building on a hillside in this little village were thronged Friday with anxious young men speaking Arabic and Persian who urged college officials and a representative of the Iranian Consulate in New York with pleas for help. They considered fraudulent recruiting practices.

A carload of additional foreign students, part of a group of 150 whose tuition fees had been expected to save the school, arrived Thursday after the closing announcements. More had been expected to arrive before state

troopers sealed the campus yesterday to protect the interests of the college's creditors, who are owed more than \$6 million.

Windham's 180 American students, all that could be recruited to fill a modern \$10 million campus designed 10 years ago to accommodate 900 students, spent the day moving out and shifting through the debris of Thursday night's vandalism, in which angry students smashed chairs and tables, tipped garbage cans and lit numerous small fires.

"They called us here from 10,000 miles away and risked our careers for nothing," said Samir Hwsin, a Pakistani. "We have no place to go and we have no money."

'Here is Nothing'

Others said there was nothing at Windham was a large university in a big metropolitan center and that it was widely known for its medical school. "They told us here it is nice place and here is good," said Abdol Reza Memman, an Iranian. "Is nice place, but here is nothing."

Similar complaints have been filtering through New England in recent weeks as foreign students have been arriving at colleges that include Nathaniel Hawthorne College in Andover, N.H., Daniel Webster College in Nashua, N.H., and Hesser College in Manchester, N.H.

Dr. Peter Galonis, who runs International Educational Services Inc. out of his home in a suburb of Scranton, Pa., said his concern recruits about 500 such students, mostly in the Middle East, each year. He defended the arrangement as useful to the students and to the colleges, and said the students' complaints were the result of misunderstandings.

Windham Cleared

"There are a lot of petrodollars filtering through the Middle East and those places now, and people who didn't use to have any money suddenly do," he said. "They want an education for their children and an American education has prestige here. The college-student supply here is drying up, so that's where I come in and get the two sides together."

Dr. Galonis denied reports that his agents charged as much as \$1,000 for blank "acceptance cards," already signed by college officials. The cards are needed before student visas can be issued.

Immigration officials sent here this week cleared Windham of any wrongdoing in recruiting the students.

Herbert Flaig, a vice president of the college for financial affairs, said that if all 150 foreign students had arrived on time and paid their tuition, the 27-year-old college could have met its expenses and survived.

But only 75 arrived and only 8 of those paid the full tuition, he said, adding that the rest paid only tokens despite warnings and threats of deportation.

Clears Way for GOP Hopefuls in 1980

Ford Rules Out New Hampshire Race

By David S. Broder

WASHINGTON, Dec. 17 (WP) — Former President Gerald Ford said Friday he would not be a candidate in the 1980 New Hampshire primary and would not endorse or support anyone else for the Republican nomination.

In an hour-long talk with reporters, he did not firmly shut the door on a late-starting candidacy of his own, but he went a long way toward taking himself out of the early maneuvering for the nomination.

Saying it would be "good for the party and good for the candidates to have a full field in New Hampshire," Mr. Ford said "the odds are heavy that I will not be involved under any foreseeable circumstances" in that state's lead-off primary in February 1980.

The statement confirmed the expectations of most of the 1980 Republican hopefuls about Mr. Ford's plans and cleared the way for some of them to push ahead with their announcements.

Sen. Robert Dole, R-Kan., Mr. Ford's 1976 running mate, said, "If he's not in New Hampshire, I may be." Sen. Dole has made eight trips to New Hampshire in the past year, but has said that if Mr. Ford ran, he would defer to him.

Bush Not Surprised

George Bush, former director of Central Intelligence who has already signed up many of the leaders of Mr. Ford's 1976 New Hampshire campaign committee, said he was "not surprised" by the statement and would go ahead with his own plans for an "early filing" of an official presidential candidacy.

John Sears, the manager of Ronald Reagan's 1976 campaign, said he was "surprised that Ford was that specific," but said the former president had indicated such a decision in a recent private conversation with Mr. Reagan.

Mr. Sears forecast the announcement of a Reagan campaign committee by March 1. That same timetable was predicted for John Connally by an aide to the former Texas governor, who said he saw no reason why Mr. Connally would bypass New Hampshire if he ran.

Two other possibilities — Sen. Howard Baker Jr., R-Tenn., and Rep. John Anderson, R-Ill. — said Mr. Ford's statement would not affect their plans or timetable. Mr. Anderson said he would decide "as early as possible in 1979" and Sen. Baker said his decision would wait until summer.

With Rep. Philip Crane, R-Ill., already announced and campaigning in New Hampshire, the field appears likely to include at least four and perhaps as many as seven candidates.

Narrow Victory

Mr. Ford did not explain specifically why he ruled out running in New Hampshire — where he won a narrow victory over Mr. Reagan in 1976. But he said he had "no insatiable, scheming appetite to be president" and seemed content with events decided whether he eventually becomes a candidate.

Predicting that "no one will win by a wide margin" if a big field enters New Hampshire, Mr. Ford said "there will be a contest down the line" before Republicans find a "consensus candidate."

He said he had no "favorite candidate" for the nomination and would not support one before convention time.

While moving away from active participation in the 1980 contest, the former president showed no hesitation in drawing the line with his successor in the White House.

He said President Carter's economic policies had been "a disaster" and were directly responsible for the upsurge of inflation. To combat it, Mr. Ford said it was "absolutely essential" for [Carter] stick to his decision to keep the def-

icit below \$30 billion, or his whole program will go down the drain." Calling the administration's wage-price guidelines "just window dressing," Mr. Ford said he opposed them because they are "not voluntary."

Wielding the Club

"Using the club of government in awarding contracts" to firms that comply with the guidelines is just one step short of mandatory controls, he said.

Despite his criticism of Mr. Carter's policies, Mr. Ford forecast that the president would be renominated by the Democrats. And he did not close the door on supporting Mr. Carter in the coming fight on a strategic arms treaty with Russia.

He said he would make no decision on supporting a SALT-2 agreement until it was finally negotiated and he had been briefed by both administration experts and critics of the treaty.

Mr. Ford renewed his criticism of Mr. Carter's actions in scrapping some strategic weapons systems, asking rhetorically, "Wouldn't it be

easier to sell a SALT-2 treaty if we had about four B-1 bombers coming off the production line right now... with the kind of strong defense capability they represent?"

But when asked if partisan considerations or the internal politics of the Republican Party would influence his thinking on SALT, Mr. Ford noted that he had supported Mr. Carter on the Panama Canal treaties, when many Republicans said any person taking such a stance would be rejected in 1980 by the GOP convention.

"SALT 2," he said, "is infinitely more important to the long-range security of the United States than the Panama Canal treaties. A person in my position has to make that decision regardless of its implications" for Republican politics.

He said, however, that it was important to his decision whether Mr. Carter fulfills his pledge to increase defense spending "across-the-board" this year by 3 percent above the inflation rate. "If there's a backoff from that pledge," Mr. Ford said, "it's a mistake."

Sunny Site of U.S. Meeting Gets House Member's Heated Protest

WASHINGTON, Dec. 17 — As the weather here grows cold and blustery, the State Department is sponsoring an aviation conference in sunny Kingston, Jamaica. And Rep. Glenn Anderson, D-Calif., is hopping mad about it, despite the fact that he has been invited to attend the Jan. 30-Feb. 2 meeting at the taxpayers' expense.

"I certainly agree that holding the symposium in an area which does not suffer severe winters is a fine idea to encourage attendance and is conducive to a productive meeting," Rep. Anderson told Secretary of State Cyrus Vance in a letter released Friday.

The conference should be held in Southern California — or in Florida, Puerto Rico or the Virgin Islands, Rep. Anderson wrote. "I am surprised and in fact shocked that the Department of State would choose a foreign country in which to hold a symposium they are sponsoring, especially now, during severe balance-of-payment problems and fiscal constraints," he wrote.

Rep. Anderson, who represents a Los Angeles suburban area where the aerospace industry is a leading employer, said he refused to attend the meeting — even though he is chairman of the House Public Works subcommittee on aviation, and even though the conference will feature 200 world experts on the international air-transport system.

Los Angeles Times

Concorde's Texas Service Will Follow Bizarre Rules

By Douglas B. Feaver

WASHINGTON, Dec. 17 (WP) — "Why is that man climbing the Concorde out there and pasting that great big letter N on the side of the airplane?"

"To cover up the letter G, of course."

The legal nuts and bolts that will allow British Airways and Braniff International to inaugurate their one-stop, same-plane Concorde service between London and Dallas-Forth Worth appear to require such a change in the plane's registration number when the plane stops at Washington. Air France and Braniff are going to do the same thing on their flights between Paris and Dallas.

The airlines' "interchange agreement" will give British Airways and Air France more flying time for the expensive Concordes, which now sit unused overnight at Dulles. For its part, Braniff will be able to offer Concorde service linking Dallas to Bahrain via Washington and London.

But the red tape is something else. Federal laws require U.S. airplanes to have registration numbers that begin with an N. British laws require that British Airways planes have registration numbers that begin with a G. Thus, the N to cover the G, because the Concorde must be a U.S.-registered airplane if Braniff is to fly it between Washington and Dallas.

The French laws are so confusing that perhaps as many as two or three French digits or letters will have to be covered or altered before Braniff can fly an Air France Concorde. "We're still working on it," said Jerry Cox of Braniff.

Further, a U.S.-registered airplane must be owned by a corporation "lawfully organized and doing business" in the United States. It cannot be registered "under the laws of any foreign country."

British Airways and Air France have organized subsidiary U.S. corporations to own the Concordes when Braniff flies it. That solves that problem. But it also means that the airplane's ownership must change every time a British or French crew gets off the plane and a U.S. crew gets on.

For the registration to be changed, under U.S. law, "it must be shown that the foreign registration has ended or is invalid." Thus, a designee of British or France or the United States must be present at Dulles every time the Concorde comes through to certify that the "foreign" registration has been canceled.

Only after that has been achieved can someone climb on the plane and paste on or remove the big N. The passengers never have to leave the plane, which means they'll miss all this.

"I think we have an opportunity here to inaugurate something really special," said a British source who asked to remain unidentified. "We could call it 'the Savoy of the patch.' At least once a week a brass band could come out and play while the fellow climbs on the side of the plane and places the patch

over the G. It could become international tradition." Air France-Braniff is planning two round trips a week between Paris and Dallas. British Airways-Braniff is planning three round trips a week. The Concorde will fly superphonically only over the Atlantic.

Final approvals are pending, but everyone expects the service to begin some time in January.

Steel Walkout In W. Germany Is Said Near End

DUESSELDORF, Dec. 17 (AP) — The first steel strike in West Germany's industrial Ruhr area in 50 years appeared to be close to settlement today after 21 hours of bargaining.

Officials said that the latest offer to the workers included a paid free shift every 13 weeks, more vacation and a 4 percent wage increase. Observers concluded that the proposals would lead to introduction of a 39-hour work week by 1980. Officials said that it was now up to the tariff commissions on both sides, employers and unions, to approve mediation efforts and end the 20-day strike. Meetings were scheduled for today.

The IG Metall metal workers union is striking selectively at eight iron and steel plants in the Ruhr area and elsewhere in northern Germany. Employers answered the walkouts with lockouts in another eight plants, idling 80,000 of the area's 208,000 workers.

The strike followed a breakdown of negotiations between IG Metall workers, who demanded a 5 percent raise and steps to introduce a 35-hour week, which they said would safeguard jobs.

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The China Agreement

We do not pretend to comprehend the full implications of the agreement that has now been reached to establish full diplomatic relations between the United States and the People's Republic of China. Surely the test of it will lie not just in some larger geopolitical striking of balances between the world's great powers but also in the very specific matter of the fate of 18 million people on Taiwan. The critics have already zeroed in on the Taiwan question, and with good reason: The American commitment to the Taiwanese is of long standing. It is moral, not just legal. And other countries heavily dependent upon America's goodwill and good word have reason to concern themselves with the manner in which this country, in its future and expanded relations with Peking, holds fast to its obligations to Taiwan.

That said, it needs to be quickly added that there is a compelling logic to what President Carter has done to establish full diplomatic relations between Peking and Washington. This is basically what was contemplated when President Nixon made the first big breakthrough in 1972 and President Ford followed it up with his own visit to Peking. The only questions were when, on what terms, and to what purpose? So we begin with: Why now? And the answer seems to be that, from Jimmy Carter's point of view, an improved opportunity was there. He had let it be known last year that he was ready to proceed. But only in the past few months did it become apparent that authority in China seemed to be passing into the hands of a more outward-looking leadership, willing to modify its harsh terms vis-a-vis Taiwan in return for a rich variety of relationships with the West.

And so, in hard bargaining over the past few weeks, a deal was struck. On the issue of Taiwan, Peking's concessions may not look impressive. The United States will "termi-

nate" relations at the end of a year in accordance with a treaty provision, rather than abrogate the treaty. There is provision for American arms transfers, even after the termination of official relations. Cultural, commercial and even consular relations would be continued under legislation that the administration will send to Congress next year. And there is at least some sort of implicit acknowledgment on the part of Peking that the United States, while accepting that the resolution of the Taiwan issue is to be an internal concern of the People's Republic, does not expect that the jurisdictional question will be resolved by force.

The value of vitality of any of these conditions and terms depends, of course, on what it is the Chinese really want — and how badly they want it. The calculation the president clearly made was that the People's Republic is serious about its new desire for strengthened economic and political relations with the West in general and the United States in particular. And if this is so, it would seem to follow that Peking will not deal with Taiwan in a way that it must know would jeopardize these expanded relations. Mr. Carter must also have obviously calculated that a strengthened bilateral relationship with the Chinese would be an extremely useful element in his dealings with the Soviet Union.

It is a gamble, and not just in highly complex geopolitical terms. It is also a very big gamble in domestic political terms, at a time when there is considerable anxiety, and not just on the far right, about Jimmy Carter's handling of SALT negotiations and his capacity to manage a SALT-2 agreement. So this took some political courage as well as adroit diplomacy on Mr. Carter's part. Time will tell whether it pays off.

—THE WASHINGTON POST.

Patience, and Trust, in Mideast

Egypt and Israel have lost an intangible part of their historic peace by failing to sign a treaty before today, as they agreed at Camp David to try to do. Their hitherto patient broker, President Carter, is justly annoyed. Unjustly, he blames only Israel.

All that is left in dispute are a few largely semantic and symbolic points. Israel could well yield on all of them without significantly altering the shape of the peace at hand. But so could Egypt. And the obviously desirable final compromise will be more difficult as long as the United States stands with one side. Indeed, this treaty will survive the inevitable disputes of interpretation only so long as the American president is trusted by both sides as an impartial court of last resort. No momentary frustration should be allowed to diminish that trust.

Everything now seems to turn on a single question: When, and under what conditions, will the first Egyptian ambassador arrive in Israel?

Trivial, perhaps; the treaty in any case binds Egypt to establish diplomatic relations with Israel as soon as the first stage of Israel's withdrawal in the Sinai is completed — in less than a year. Ambassadors come and go rather freely as diplomatic relations warm and cool; the envoy here in dispute could be withdrawn the day after he presents credentials. But President Sadat now asks a treaty right to withhold this last symbol of peace if Israel fails to meet a target date for Palestinian self-rule in the West Bank and Gaza. He wants, in short, a tangible link between the Egyptian-Israeli peace terms and the pace of negotiations that will vitally depend also on Jordan and the Palestinians.

A suspicion that Israel may drag its heels in future West Bank negotiations is not unreasonable. But neither is the Israeli suspicion that the peace proffered by Sadat will disappear as soon as Egypt regains the Sinai, or if Jordan and the Palestinians fail to nego-

tiate in good faith. What would Sadat and his White House friends be saying if Israel had demanded a right to retain just a few miles of Sinai desert until a West Bank deal is reached? The strain of trading hard-won territory for an easily altered declaration of peace is hard enough for the Israelis without this added psychological pressure. Camp David envisioned Israel's exchanging every inch of Egyptian territory for a full measure of peace. It is wrong to tamper with the yardstick now.

The only other serious argument applies to the treaty's Article 6, which pledges the parties to observe this treaty irrespective of other obligations. Foreign Minister Dayan foolishly boasted that this overrode Egypt's defense arrangements with other Arab nations, and Sadat felt obliged to demand assurances that he retained a right to collective defense.

What good is a peace treaty, ask the Israelis, if it leaves Egypt free to invoke a military obligation to allies still at war with them? The answer, of course, lies in the future. Whether the Arab League has been permanently split and whether Egypt will ever again join in battles against Israel cannot be decided by this treaty. But ratifying the treaty is the best way to keep Egypt moving along a peaceful course. On this point, the Israelis will surely yield if they are approached more sympathetically than they were last week.

Time counts enormously in the pursuit of these final details. The treaty is studded with other target dates and the failure to meet the very first, for its signing, is a serious setback. But Egypt and Israel have already paid the political price for this agreement; they must be eager to realize its benefits. It was President Carter's fairness and patience that brought peace so near; he ought to recover them fast.

—THE NEW YORK TIMES.

International Opinion

U.S.-China Ties

The setting up of diplomatic relations between America and China is an event of immense significance and hope for the world. The suspicion, hostility and, on occasion, near war between these two great countries was a constant menace to peace for almost three decades. A growing partnership between China and America and the other nations of the West would create a balance of power that the ambitious monolith of the Kremlin would not dare to disturb.

The American name on the agreement will be that of President Jimmy Carter. The world

owes him a debt of gratitude. But should not someone else be remembered? In 1972 another American president risked unpopularity and hostility within his own party and embarked on a momentous, courageous visit to China. The same man has since been disgraced. Wherever he goes, there are crowds of demonstrators to scream insults. But long after the shame of Watergate is forgotten it might well be that Richard Milhous Nixon will be remembered as a leader who did more for peace and understanding than any other American statesman of the century.

—From the Sunday Express (London).

In the International Edition

Seventy-Five Years Ago

December 18, 1903

NEW YORK — The New York Herald commented in an editorial: "Now that doctors have discovered that the brain can get tired just like any other bodily organ, we expect certain people to say that they are right in following their emotions, and not thinking so much. Well, we must not blame the poor brain for everything, even for too deep thought. No one has been known to have been hurt by thinking too profoundly — except for a certain class of politicians — while on the contrary countless numbers have been benefited when the thought was worth anything."

Fifty Years Ago

December 18, 1928

LONDON — With all direct communications with Kabul, capital of Afghanistan, cut off, reports coming from the beleaguered city indicate an increasing intensity in the uprising against King Amanullah, which is endangering his life and the lives of foreign residents. The rebels, who are protesting the king's Western innovations in this remote kingdom, have forced the king and queen to take refuge in a fort in Kabul. The rebels also have surrounded several outposts of loyal governmental troops. All negotiations have ended as the revolution engenders its own momentum.



Recession: It Isn't Inevitable

By Joseph Kraft

WASHINGTON — On the economic front, the administration had a relatively little noticed but stunningly good piece of news last week. An unexpected rise in retail sales figures confirmed the view of the president's advisers that the recovery is still moving along briskly and that a recession is not yet in sight.

Mr. Carter's advisers have been predicting that the final quarter of this year would show a rise in overall economic activity of about 3.5 percent. They have based that view on a wide variety of indicators. Their confidence has been strongly fortified by the continuing rise in employment — up by 375,000 jobs in October and by nearly half a million jobs in November.

Most private forecasters have seen growth in the final quarter below 3 percent, with a recession sure for 1979. Those pessimistic views have found support in industry's conservative plans for future investment. The Commerce Department, on Dec. 7, released its survey of planned spending for plant and equipment in the first half of next year. That usually reliable report projected an increase of only 8 percent — which, when correction is made for inflation, amounts to a standstill.

In those uncertain conditions, government economists looked nervously to the retail sales figures that came out last Tuesday. A drop, which many feared, would show that while employment was surging and production on the rise, goods were merely piling up on shelves. That accumulation of inventory in the face of consumer resistance is one sure signal of recession to come.

As it happened, however, the retail sales figures exceeded expectations. November sales were up 2 percent over the previous month and 11 percent over the past year.

The figure for sales in October was revised upward from a drop of one-half a percentage point to an increase of 1.3 percent.

On the strength of that showing, the president's Council of Econ-

omic Advisers expects that the present quarter will show a rise in gross national product of about 4 percent. The council figures that sales will generate new orders and force more capital spending than business now plans. Accordingly the council does not project a recession — at least as measured by the conventional definition of two successive quarters of no growth — the next year.

Budget Battle

That fair prospect puts the president on high ground in the battle of the budget. If, as he pledged, Mr. Carter is to drive the deficit in the coming budget below \$30 billion, big cuts will have to be made in projected spending on programs for health, welfare and new jobs. A continuing rise in employment, however, makes it that much easier for the president to enforce, and for the departments to accept, and for the Congress to ratify decreased social spending.

More sales and more jobs, of course, also herald more inflation. The present rate — about 9 percent annually — is already very high. To hold it down, moreover, the Federal Reserve Board has pushed up the prime interest rate to 11.5 percent — just short of the 12 percent record of 1974.

Further increases in interest rates would surely have an adverse effect on housing and other items bought on credit. Combined with cuts in federal spending, additional interest rate increases could bring on a recession.

Chairman William Miller of the Fed has signaled very clearly that — unlike some of his colleagues on the board — he would not welcome a recession to cool off the economy.

But even he will have to go for higher rates, unless he sees other signs of restraint in the economy.

The great hope in that respect lies with the wage-price guidelines. The administration developed the guidelines as a way to prevent labor and industry from getting together on new wage contracts bound to kick prices even higher. The theory was that if wages could be held to

the 7 percent level, prices would rise less than 6 percent and inflation would gradually tail off.

The theory comes up for a test in negotiations now under way for a new Teamsters contract. Nobody can foretell the outcome. But the industry clearly does not want a strike. The union has important bargaining power. So the administration will have to press hard for observance of the guidelines if it wants to deal Chairman Miller the cards he needs to persuade his colleagues on the Fed against the further rise in interest rates apt to bring on the recession that is not truly inevitable.

At home, his 1979 budget, with its emphasis on austerity, has troubled the Democratic liberals, the labor union leaders, the big-city mayors, and the blacks — without consulting the bankers, the real estate dealers and other big-business operators, who are not amused by current high interest rates and double-digit inflation.

Abroad, he seems to be in even more serious trouble. After all his efforts to produce a compromise in the Middle East, the Israelis are sore at him and vice versa, and President Sadat of Egypt is disappointed in him for continuing to finance an Israeli policy Carter does not really believe in.

His allies in Europe wonder about his intelligence services. Why was Washington surprised by the pro-Communist political switch in Afghanistan, and particularly by the dramatic religious revolution against the shah in Iran? Also, the allies ask, why was Carter so "soft" in dealing with the Communist military intrusion into Ethiopia and the Horn of Africa — so important to the defense of the West — while he was so bold in sending Secretary Blumenthal to Romania to defy the Soviets in a conflict Washington had no will or power to sustain?

In short, he is constantly surprising people by his suddenness and by the timing of his decisions. He did not merely play "the China card," but under pressure from Henry Kissinger, he showed the whole deck of cards on the table just when the Russians were shuffling their hand. This is likely to produce quite an exciting game next time around. But Carter still has a few aces up his sleeve.

Sen. Barry Goldwater may condemn the normalization of relations with China as "a cowardly act," but the influence of the pro-Taiwan "China lobby" has waned. The Goldwaters will argue the "ethics" of the China dilemma, but it is hard to oppose the mathematics of "recognizing" 800 million people rather than the 17 million on Taiwan. And there is no indication that the Goldwaters can carry the Republican Party with them on this issue.

As the new government in Peking comes out of isolation and

False Arguments On Southern Africa

By Stanley Hoffmann

CAMBRIDGE, Mass. — Big guns are firing at the Carter administration's policy in southern Africa. We are being told that it embraces radical forces instead of creating moderate alternatives and that it plays into the hands of the Russians and Cubans, who are arming the radicals. The administration, the critics say, foments war between blacks and whites and fails to stand up to the Reds.

These arguments are false. In Rhodesia and Namibia (South-West Africa), the policy consists not in backing one side against the other but in advocating peaceful solutions based on elections in which all factions would participate, and on negotiations between forces that support the solutions advocated by Prime Minister Ian Smith and the South Africans and groups that have so far rejected these proposals as disguised for the perpetuation of white rule. Those who would like the United States to endorse Mr. Smith's internal settlement in Rhodesia are the ones who would force it to take sides.

To support the internal settlement in Rhodesia is to support the South African regime that the United States would do no more than denounce apartheid verbally in exchange for its cooperation toward "moderate" solutions in Rhodesia and Namibia, would be morally wrong and politically disastrous. To be sure, most black African regimes are not exemplary (violations of human rights being no less characteristic of "moderate" than of "radical" regimes). But their laws or crimes in no way justify the continuing imposition of white-minority rule, open and repressive, as in South Africa, or directly perpetuated in Rhodesia or Namibia.

Double Mistake

For the United States automatically to back all those who are fighting "radical" guerrilla or political forces that receive Soviet or Cuban support would be a double mistake. It would assume wrongly that the division between radicals and moderates cannot be bridged, whereas many leaders turn to Soviet support not out of ideological solidarity but for simple political self-interest. By misinterpreting African realities in the light of Cold War concerns, the United States would actually set the stage both for a race war (as well as civil war among blacks), with the United States on the wrong side, and for a military solution, with the United States obviously handicapped in aiding the white regimes, and the Russians and Cubans capable of presenting themselves as the champions of African aspirations for liberation and self-determination.

Henry Kissinger tells us that if we had succeeded in preventing the Cuban action in Angola, there

would be no Cubans elsewhere in Africa today. Maybe. But it was the U.S. decision to give military assistance to one Angolan faction, plus the fact of South African intervention on the same side, that provided the opening for the Cubans on the other. Defeating the Cubans would have required direct military involvement in the dubious cause, and would have alienated most black African states. The United States sought a test it could not win.

Folly assures failure but wisdom does not guarantee success. The chances of the Carter policy are uncertain. Is there still room for peaceful solutions? Blacks fighting against white rule have no great incentive to accept U.S. proposals unless Mr. Smith and Prime Minister P.W. Botha of South Africa show a willingness to accept the kind of settlement that they have refused so far.

This will require them to recognize that the only alternative to concession is disaster. Despite sanctions, this has not yet happened in Rhodesia. In the case of Namibia, and later in that of South Africa itself, it is unlikely to happen without stringent Western sanctions, which many Americans will resist. Meanwhile, opportunities for Soviet and Cuban influence persist. Once more we find that although the stakes are huge, our means are limited and the wisest course is narrow.

The critics' logic

And yet any other course would be worse. While the United States may fail, it would at least avoid antagonizing the black states, front line or not (like Nigeria), that have approved the present U.S. policy. Critics of the policy would like the United States both to press SALT and to be more alarmed about Soviet and Cuban penetration, as if the latter were not the result of the U.S. failure to press sufficiently hard earlier, in the days when Mr. Kissinger and Richard Nixon tilted toward the white regimes.

The critics' logic, if it were followed, would leave the United States with no other allies than handful of conservative African regimes (some of which are liabilities not because they are friends or conservative but because of their internal condition) or the president's France (whose policy in southern Africa is, however, not so different from that of the United States and bearing the albatross of past and lasting connections with South Africa. Those who fear Soviet domination and want peaceful solutions should support the present course.

Stanley Hoffmann, professor of government at Harvard, is a guest columnist. He wrote this article for The New York Times.

No Happy New Year for Carter

By James Reston

WASHINGTON — Jimmy Carter, if he's lucky, may have a Merry Christmas, but he is clearly not going to have a Happy New Year. By his recognition of Communist China, he has guaranteed himself the most formidable assortment of political opponents at home and abroad since Franklin Roosevelt.

At home, his 1979 budget, with its emphasis on austerity, has troubled the Democratic liberals, the labor union leaders, the big-city mayors, and the blacks — without consulting the bankers, the real estate dealers and other big-business operators, who are not amused by current high interest rates and double-digit inflation.

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As the new government in Peking comes out of isolation and

reaches for the trade and technology of the advanced nations, nobody is going to be more eager than American business leaders, most of them Republican, to do business with China, the largest potential market in the world today.

SALT Support

Carter will have a harder time with his Strategic Arms Limitation Treaty, expected to be signed soon with the Soviet Union. He does not need the support of the Congress to "recognize" China — how can you fail to "recognize" 800 million people? — but he does need the votes of two-thirds of the Senate for a strategic arms treaty and he clearly does not have such support now.

Yet even on this emotional issue it will not be easy and may be politically dangerous to vote against the president's effort to slow the arms race.

His problem is that he will be fighting so many major battles at the same time through the rest of his term in office that all the special interest groups may combine against him. But he has chosen his issues rather shrewdly.

Those who oppose his anti-inflation policies, his China policy, his arms-control policy, and his Middle East policy oppose him with a vengeance, but they are minorities and are not likely to be able to form coalitions large enough to defeat him.

For Big Labor may try to block him on the budget and even on SALT, but it is not likely to oppose him on China, especially since the key U.S. figure in the "recognition" negotiations was Leonard Woodcock, former head of the United Auto Workers union.

Even his long and often acrimonious debate with Prime Minister Begin of Israel, now more than 10 years, is not likely to inflame many votes on other and separate issues. By his protracted efforts to bring about a compromise in the Middle East, Carter has often been in danger of infuriating both Jews and the Arabs, but the role of Congress has now turned in favor and against the position the Begin government.

In short, Carter will certainly be the target of bitter, probably vicious — opposition from the organized lobbies in the nation. But he is emerging at the halfway mark of his term as a determined president who is willing to challenge assumptions of the past even if it means breaking with powerful lobbies within his own party.

What he has lost with the lobby he has probably gained, and in popular support. He may cut many of his friends, but he has probably increased his influence both at home and abroad.

Determined

The International Herald Tribune welcomes letters from readers. Short letters have a better chance of being published. All letters are subject to condensation for space reasons. Anonymous letters will not be considered for publication. Writers may request that their letters be signed, with initials but preference will be given to those fully signed and bearing the writer's complete address. The Herald Tribune cannot acknowledge letters sent to the editor.

Letters

Nixon Dossiers

About the "Richard Nixon show" on French TV (Nov. 28), I'd appreciate it if you would publish the opinion of a Frenchman who has spent a lot of time studying the United States and American affairs in the last few years, since it appears to me:

(1) That Armand Jammot and his team were intent on rehabilitating the former president. Also, I guess there are many lovers of statistics who would be as interested as I in finding out in what proportions the "show" has boosted the sales of the French edition of Nixon's memoirs.

(2) That asserting that more than 80 percent of the French people are full of admiration for this so-called Quaker could be the best joke of the year if it were not insulting to the American people, who condemned him almost unanimously. (I am no admirer of the WASPs or of the Establishment, but it takes guts to accuse them of conspiracy against Nixon.)

Out of the hundreds of people who called to say Richard Nixon was one of the best — if not the best — president the United States ever had, how many could name more than 5 of the 39?

Isn't it strange that the phone number viewers had to call was

never given on the screen, as is customary. Hundreds of people like me — who are not regular viewers of "Les Dossiers de l'Ecran" — were unable to put their questions through. So, here is the one I would have liked to ask Mr. Nixon: "What is the total amount of your royalties for your memoirs so far, and what percentage of it do you intend to donate in order to alleviate the misery of Vietnamese refugees all over the world?"

JOSEPH TOURNIAIRE, Nantes, France.

Infiltration

It is incomprehensible how the writer of your editorial urging admission of all Cuban refugees without screening could be so naive. It is perfectly obvious and to be expected that Castro will try to infiltrate the refugees with spies. A very few will get in no matter how thorough is the screening. Attorney General Bell is conscientiously doing his duty in preventing as many spies as possible from entering the United States.

H. G. HOLCOMBE, Colonel, Retired, Intelligence Service, Army of the United States, St. Croix, Virgin Islands.

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Congress Prepares Reports

CIA Ties to Shah Blamed For Intelligence Failure

By Jim Hoagland

WASHINGTON, Dec. 17 (WP) — The Central Intelligence Agency's long and close ties to the Shah of Iran and his intelligence service effectively prevented the agency from giving the White House a clear warning that public unrest posed a major threat to the shah and for U.S. policy.

That conclusion emerges from a series of interviews with officials and analysts of the U.S. intelligence community, which has been shaken severely by White House criticism of its performance in Iran. Some of these officials also have been interviewed by House and Senate staff investigators, who are preparing reports on this intelligence failure.

Warnings originating in the State Department that the shah faced rising and dangerous popular opposition last summer were kept out of a draft national intelligence estimate because CIA and Defense Department analysts strongly disagreed with that view, congressional investigators have been told.

A CIA official said yesterday that CIA Director Stansfield Turner had returned the draft estimate on Iran to its agency authors twice "because he didn't think it was good enough." But the official was unable to say if Adm. Turner's objections involved the report's highly optimistic view of the shah's hold on power.

Other knowledgeable sources said that Adm. Turner had sent the now controversial estimate back for more information on military and other matters, but there were no clear indications at the time that he was unhappy with the political reporting.

The bureaucratic wrangling over the estimate, which was overtaken by the explosion of unrest in the streets of Tehran in September, is only part of a direct problem the CIA faces in trying to work in a country where it has an enormous investment in maintaining an autocratic ruler that it helped put in power.

"If we wanted information on the opposition leaders and on the military in Iran, we should have turned it into an unfriendly country," said one exasperated analyst. "Then we would have targeted them and developed sources. But we can't do much with opaque regimes headed by friendly authoritarian figures."

The political opposition and officer corps have been off-limits for years to the 50 to 75 agents the CIA maintains in Iran. The agency's professional intelligence on domestic Iranian developments has had to come largely from the shah's own secret police, SAVAK, which hardly could be expected to report that the shah was in trouble.

"If we had tried to penetrate the opposition, we would have been caught immediately by SAVAK," a CIA official said. "Iran is an ally. In England, we would not try to penetrate the opposition."

Hovering on the corners of the sharpening disputes over the Iran failure and U.S. choices for the future are ghosts from an era when the CIA quickly could mount covert operations to shore up or move aside agency allies who suddenly had become liabilities in their own countries.

Ngo Dinh Diem, the South Vietnamese dictator assassinated by his own troops in 1963 after President John Kennedy let his lack of confidence in Diem be known, is conjured up by U.S. policymakers who argue that the United States would

touch off disastrous turmoil by doing or saying anything to undercut Shah Mohammed Reza Pahlavi in a moment of crisis.

State Department officials argue that the real dangers lie in not disengaging faster. They raise the specters of Libya or Ethiopia, where radicals have swung sharply against the United States after overthrowing regimes with which the CIA had strong ties.

In any case, Iran is already a multilevel failure that is likely to haunt the agency for years. The agency has been deeply implanted in Iran since 1953, when Kermit Roosevelt and fewer than 30 U.S. and Iranian agents were able to mount an operation that brought down the leftist government of Mohammed Mossadegh and put the shah back on the throne.

The entire operation cost less than \$1 million, which the shah insisted on paying back, according to agency folklore. It is unclear that today the agency could produce anything approaching these results for any sum even if it were "unleashed."

While honoring the shah's wishes that they totally ignore Iranian developments, CIA personnel have been given free rein in gathering intelligence about the Soviet Union from Iran. The shah permits the United States to operate some of the world's most sophisticated listening and radar equipment on the Soviet border.

The fate of that equipment, should the shah fall suddenly, before it could be relocated, is a major worry for Carter-administration planners.

"The agency was absolutely accurate in its reporting throughout the year that the small radical terror groups represented no threat to the shah," said one U.S. intelligence official. "But those were the only opposition groups the agency was reporting on. There was zero in their analysis about the rightist Moslem opposition that was the real threat."

Urgent Request

This trend continued even as unrest intensified, and the White House sent an urgent request that a new national intelligence estimate on Iran already in progress be accelerated. The estimate is an authoritative summary prepared on request and jointly by the CIA, State, Defense, Treasury and other departments.

Adm. Turner appointed one of his intelligence officers to head the secret Iran project, which quickly produced a sharp and divisive dispute. State Department analysts, who argued that the opposition represented a serious threat to the shah were overruled in the writing of the draft by CIA and Defense analysts, who insisted that the report should conclude that while some unrest would continue, the shah's hold on power was completely secure.

The draft was sent to Adm. Turner excluded the dissent the State Department wanted in the document. While State was preparing its own paper on the subject, Adm. Turner was sending the draft back for rewriting twice, the public demonstrations against the shah escalated dramatically and "Iran became a day-to-day problem for us," a CIA official said. The estimate was shelved in October.

Portions of the first draft were published after a note from President Carter expressing unhappiness with intelligence reporting on Iran was leaked.



LOFTY JOB — Painters work on supports of New York's Queensboro Bridge perched 300 feet above the East River.

News Analysis

Washington Counterpoint Undercut Vance's Shuttle

By John M. Goshko

WASHINGTON, Dec. 17 (WP) — When Secretary of State Cyrus Vance undertook his Middle East mediating mission last week, he is known to have done so with reluctance and a feeling that he had only an outside chance of success.

Mr. Vance was keenly aware of the magnitude of the obstacles blocking a peace treaty between Egypt and Israel. But the record of his five-day shuttle effort suggests that the Carter administration, in its handling of a high-risk diplomatic situation, managed to make Mr. Vance's task all but impossible. As a result, Mr. Vance failed to break the deadlock in the negotiations in time for today's target date for a treaty, which had been set during the Camp David talks. He also left the region with U.S.-Israeli relations badly strained and the talks so stalled that no one can predict when and how they can be put back on the track.

Mr. Vance set out on the assumption that the situation required difficult and painful concessions from Israel. He first attempted to put them in as palatable a form as possible and then urged them on the Israelis in the manner of a doctor trying to coax a child into swallowing medicine.

Scuttled by Events

Yet, in an almost inexplicable counterpoint to Mr. Vance's conciliatory approach, events unfolded in Washington that had the effect of undercutting his efforts.

First, Senate Majority Leader Robert Byrd, D-W.Va., walked out of a meeting with President Carter to warn that future U.S. aid to Israel could be affected by Israeli policy on the question of establishing new settlements on the Israeli-occupied West Bank.

Then, Mr. Carter, in public remarks that were echoed by other White House officials, praised Egyptian President Anwar Sadat, while pointedly hinting, through his failure to mention Israeli Prime Minister Menachem Begin, that Washington was becoming impatient with Israel's failure to make concessions.

In terms of what Mr. Vance was trying to do in Jerusalem, the timing could not have been worse. It insured that the Israeli Cabinet would reject the proposals brought by Mr. Vance.

In fact, the Cabinet went even further, appending to its rejection a slam at "the attitude and interpretation of the United States government." By the time Mr. Vance returned home, Israeli leaders were charging that the United States had tilted openly toward Egypt and was no longer an impartial mediator.

U.S. Irritation Grows

The result has been a mute, but unmistakable, countering wave of irritation toward Israel by U.S. officials that includes charges about the Begin government deliberately misrepresenting Mr. Vance's proposals. In the midst of the recriminations, U.S. sources in Mr. Vance's party seemed unable to explain why Washington behaved with what some privately concede was clumsiness.

The sources admit that Mr. Vance went to Israel with a position that could be described as tilted toward Mr. Sadat's on the two key issues stalling the peace talks. One involves Egypt's demand that the treaty be accompanied by a timetable for separate negotiations on establishing Palestinian autonomy in the West Bank and Gaza Strip areas.

The other concerns Egypt's reluctance to accept an article in the draft treaty accepted by Israel that would give the accord precedence over Egypt's other treaties, including its mutual defense pacts with other Arab states.

In approaching these issues, the sources said, the United States concluded that Egypt required assistance on both demands to protect it from charges that it is ignoring

larger Arab interests to make a separate peace with Israel. In particular, the sources added, these issues are important to win support for the treaty from Saudi Arabia.

Negotiating Spur

In addition, the sources said, the United States also likes the idea of a West Bank-Gaza timetable because it feels the Israelis have not really faced up to the need to grant Palestinian autonomy. By linking the timetable to the treaty with Egypt, the sources said, Washington believes that Israel would be under greater pressure to negotiate the Palestinian issue quickly and in good faith.

However, Israel has resisted both Egyptian demands. On the Palestinian timetable question, the Israelis argue that the Camp David accords call for that issue to be negotiated separately and that Egyptian demands for linking it violate the accords and give Egypt a potential pretext for abrogating the peace treaty if the timetable is not met.

The Israelis apply the same objection to the dispute about the treaty's precedence. In the Israeli view, any suggestion that Egypt is not bound to remain at peace with Israel even in the event of an Israeli dispute with another Arab country would make the treaty meaningless.

In an effort to overcome these Israeli objections, Mr. Vance began his shuttle by spending three days in Cairo negotiating with Mr. Sadat to find ways of making the Egyptian demands more acceptable to Mr. Begin. Ultimately, they agreed on some U.S. suggestions for softening the Egyptian positions.

These included a proposal to express the timetable on Palestinian autonomy in terms of nonbinding target dates rather than fixed deadlines.

On the question of the treaty's precedence, Mr. Vance convinced Mr. Sadat to leave the treaty language unchanged and settle for an accompanying explanatory note stating a nation's right to self-defense under the United Nations charter.

Mr. Sadat also held out for other concessions that the United States regards as minor and one additional piece of linkage that Mr. Vance knew would cause trouble in Israel. That involved an Egyptian insistence that, even after diplomatic relations with Israel are established, Mr. Sadat could delay sending an ambassador to Israel until Palestinian autonomy had been established in the occupied territories.

When Mr. Vance took these proposals to Israel, the U.S. sources said, he had no illusions that they would be accepted. But, they added, he hoped to coax the Israelis into giving ground on the lesser issues and to agree to negotiate on the timetable and treaty precedence questions.

However, the sources said, hope faded as Mr. Vance arrived in Jerusalem to find the Israelis in an uproar over the Byrd statement, which had just been made in Washington.

Despite a hurried State Department effort to dissociate the executive branch from Sen. Byrd's remarks, Mr. Vance was greeted by charges of "U.S. blackmail" and a stiffening of the Israeli conviction that he had come, as one source put it, "to ram Sadat's proposals down their throats."

Police in S. Africa

Probe Rail Sabotage

JOHANNESBURG, Dec. 17 (AP) — South African police were investigating today the sabotage of a main railroad track between here and the Indian Ocean resort town of East London.

The track was cut by an explosion yesterday, delaying three passenger trains eight hours.

Obituaries

Chill Wills, Veteran Actor in Westerns

NEW YORK, Dec. 17 (NYT) — Chill Wills, 76, the raspy-voiced character actor who appeared in hundreds of Westerns and other movies and who was the voice of Francis, the talking mule of the comedy series, died Friday at his home in Encino, Calif. He had been suffering from cancer.

Mr. Wills left the Motion Picture and Television Hospital earlier in the day to return home. Friends reported that he died in his sleep.

Mr. Wills began his career in the late 1930s in "Lawless Valley." Two years later as the tall, lanky deputy sheriff in "Boom Town," a

film that included Clark Gable, Spencer Tracy, Claudette Colbert and Hedy Lamarr, Mr. Wills was a standout.

In addition to the "Francis" films, he appeared in featured roles in "The Westerner," "Western Union," "See Here, Private Hargrove," "The Yearling," "The Sundowners," "Tarzan's New York Adventure," "Giant," "From Hell to Texas," "The Alamo" and even musicals such as "Meet Me in St. Louis" and "The Harvey Girls."

The 1930s, 1940s and the 1950s saw Hollywood in its heyday, and Mr. Wills appeared in movies with

the brightest stars: Walter Pidgeon, Wallace Beery, Gary Cooper, Robert Taylor, Lucille Ball, Charles Laughton, Joseph Cotten, Shirley Temple, Angela Lansbury, Gregory Peck, John Wayne and others.

Low-Budget Success

Mr. Wills achieved fame as the wry, disenchanted voice of the talking mule. The low-budget motion pictures that began with "Francis" in 1949 were highly successful. Mr. Wills was given a script, but by the third or fourth "Francis" film, more than one-third of what the mule said was Mr. Wills' own words.

Chill Theodore Wills was born in Seagoville, Texas. Chill was his real name. Mr. Wills was, as he said, "brung up" in medicine shows, minstrel tent shows, burlesque, vaudeville and nightclubs. He joined a professional singing group in Burkebur, Texas, the community of "Boom Town," and later began to spice his singing act with monologues. Then he moved on to acting in stock companies in the Middle West.

"Vaudeville houses began closing so fast," he said later, "I got afraid I'd get locked in one, so I left that and went into nightclubs." In one club, the Trocadero in Hollywood, he was seen by a movie executive and offered a screen test and then a job.

When they learned he was from Texas, he was told, "Any fellow from Texas is a cowboy," and he was a Western standard from then on.

Mr. Wills also appeared in two television series, "Frontier Circus" in 1961 and "The Rounders" in 1967. He owned several business enterprises, including a chain of restaurants and a chili manufacturing business.

J. Fred Buzhardt

HILTON HEAD ISLAND, S.C., Dec. 17 (UPI) — J. Fred Buzhardt, 55, who managed most of former President Richard Nixon's Watergate defense, died yesterday of a heart attack.

Mr. Buzhardt was stricken about

14 Children Injured

In Israel Explosion

JERUSALEM, Dec. 17 (AP) — Fourteen elementary-school children were injured today when a barrel of tar exploded in a Jerusalem schoolyard. Israeli radio said the explosion came after the tar caught fire while workmen heated it.

Five of the children were hospitalized in fair condition with second- and third-degree burns to their hands and faces.



Chill Wills

9 a.m. at his home on Hilton Head Island, a resort community near Savannah, Ga.

Mr. Buzhardt suffered a mild heart attack before the Watergate issue was resolved and turned defense duties over to James St. Clair, a Boston attorney.

Mr. Buzhardt, a native of McCormick, S.C., and a graduate of West Point, was in public service for more than 20 years and during that time served as an aide to Sen. Strom Thurmond, R-S.C., and as chief aide to former Defense Secretary Melvin Laird.

Cardinal Joseph Frings

COLOGNE, Dec. 17 (AP) — Cardinal Joseph Frings, 91, archbishop of Cologne from 1942 to 1969, died here of heart failure today, his office said.

Cardinal Frings and Konrad Adenauer, West Germany's first chancellor, were the dominant figures in the public life of the city for decades. Their relationship remained close until Adenauer's death in 1967.

Cardinal Frings was born in nearby Neuss on Feb. 6, 1887. He studied theology at the University of Innsbruck and continued his studies at Freiburg and Bonn before he was ordained in the Cologne suburb of Zollstock.

He succeeded Cardinal Joseph Schulte as archbishop of Cologne on May 12, 1942. In 1946, he was made a cardinal.

Cardinal Frings, an ardent anti-Communist, caused controversy with a speech in 1948 in which he demanded that denazification by the Allied governments should cease. But although he was strongly criticized for this, his welfare work was recognized in Rome and he was called upon to take charge of aiding Germany's refugees.

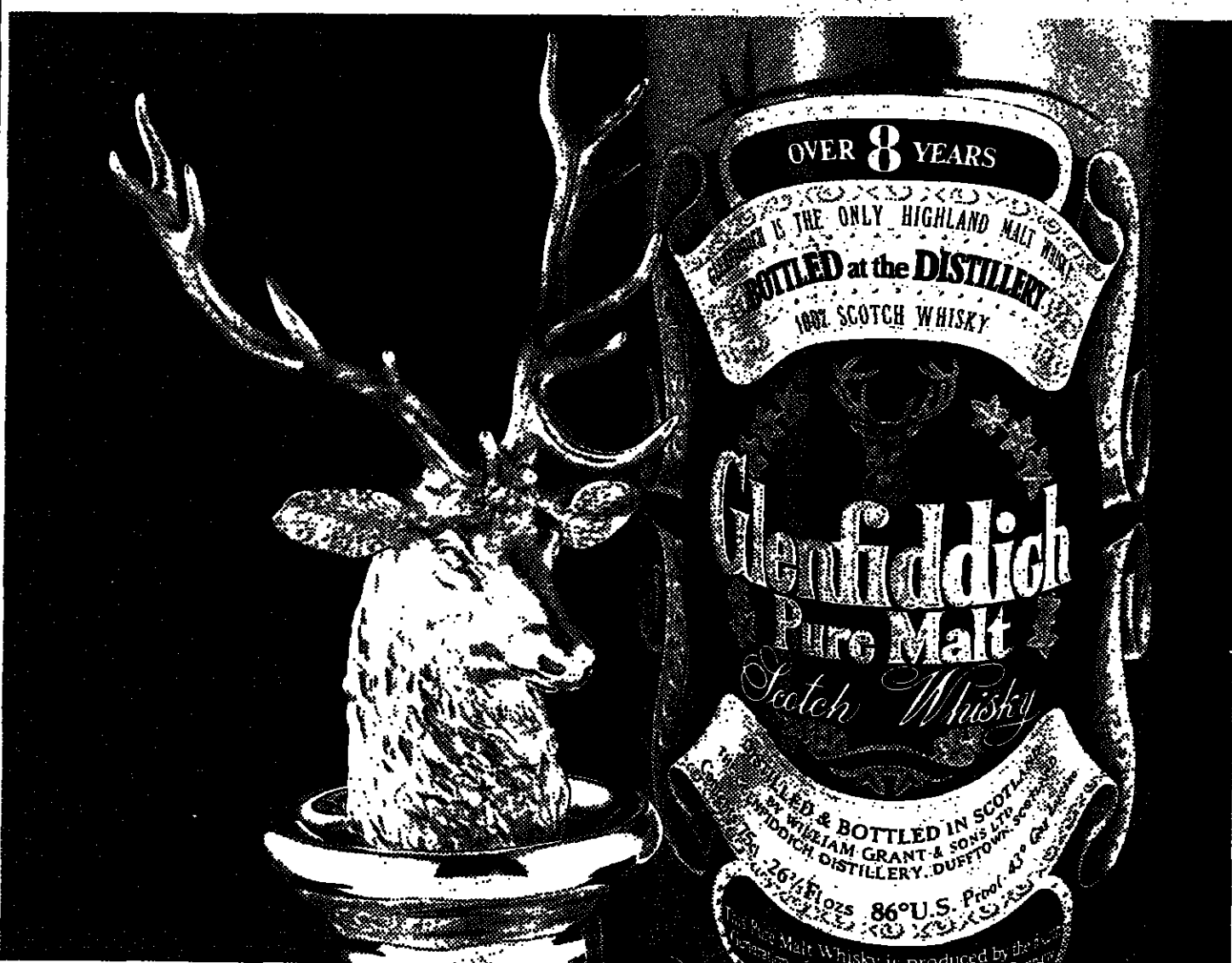
In November, 1948, Cardinal Frings joined Adenauer's Christian Democratic Party, a step he had to reverse in May of the following year because Article 32 of the concordat between state and church calls on all German priests to refrain from joining political parties.

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A Special Report



INTERNATIONAL
Herald Tribune

Published with The New York Times and The Washington Post

PARIS, DECEMBER, 1978

Singapore — 1978

A Functioning Democracy Ruled by One Man

By Harold Ellithorpe

SINGAPORE (IHT) — This nation is a fully functioning democracy, a somewhat rare creation in Asia. It has a freely — and fairly — elected Parliament, a government untainted by corruption, rule by law through an independent judiciary and freedom of speech, press and religion. Yet it is a strangely repressive state where 75 percent of the voters handed every seat in Parliament to a party admittedly dominated by one man.

Political life in Singapore begins and ends with Prime Minister Lee Kuan Yew. As one wag put it, "Singapore is a benevolent democracy ruled by a dictator."

In the December, 1976, elections, Mr. Lee's People's Action Party (PAP) won all of the 69 parliamentary seats. For the fifth time, PAP was returned with overwhelming popular support. Five opposing parties and two independents failed to score even a protest vote of significance.

Mr. Lee's popularity at the polls is strange, for nearly every Singaporean one talks to in private admits that the prime minister is a leader more feared than loved. He is returned at the polls not for his political fearlessness, but because of what he has achieved for the average citizen.

Mr. Lee's achievements are evident to everyone in Singapore. Each citizen's share of the small city-state's prosperity has risen since Mr. Lee took over in 1960.

More than 60 percent of the people live in spacious government housing estates that are models of public housing in Asia. Real wages have risen substantially, second in Asia only to Japan. The economy has expanded at a steady clip — 7.8 percent last year in real terms. Education is universal. Social services are the best in Asia. Streets are clean, crime is controlled, officials and policemen are honest.

More importantly, multi-racial Singapore enjoys political and communal peace.

The prime minister himself dates the start of Singapore's political matu-

...a nation
that has been
created in
his mind's eye...

Prime Minister
Lee Kuan Yew



ration from 1961, when there was an all-out battle between Communist and non-Communist labor unions and political parties for the allegiance of Singaporean workers. That fight broke a United Front agreement between Democratic Socialists and the Communists. In the struggle, which Mr. Lee is fond of recalling to younger Singaporeans as a time of greatness and testing, PAP and the National Trade Union Congress (NTUC) emerged victorious with Mr. Lee as their general.

Communist influence in Singapore was destroyed and remains destroyed by the winners of that battle. Today, several dozen detainees languish in Changi prison, held under detention-without-trial laws.

The government does not reveal the exact numbers under such detention, but estimates run from "around 30" to "somewhat over 70." A few have been jailed without trial for more than 12 years, a fact that led Amnesty International to issue a blistering report on Singapore's detention system in February, 1976.

The government claims that detainees merely have to forego the use of violence and attempts to overthrow the elected government in order to be freed. Indeed, persons who have made such declarations have been freed, given responsible jobs and have even formed their own association, which strongly supports Mr. Lee.

Most detainees are alleged Communists or members of Chinese secret societies with suspected international criminal connections. Their detention stands as a warning to outsiders such as members of the Communist Party of Malaysia (CPM) or syndicate hoodlums from Hong Kong and Bangkok to stay out of Singapore.

Internally

Internally, Mr. Lee rules by different forces. The core of his political power is PAP, a highly organized political institution. It operates through a variety of organisms, including dominance of the NTUC.

In each of Singapore's 69 electoral districts, a Citizens' Consultative Committee has been created as a statutory link between citizens and their government. In each, a civil servant is assigned as ex-officio secretary — who reports directly to the prime minister's office.

In each neighborhood, there are community centers operated by the People's Association, a government board created 18 years ago to promote community-betterment programs. The management committees of the 166 such centers are dominated by PAP members of Parliament and other PAP followers.

Thus, Mr. Lee's political arm reaches down to the smallest neighborhood, touching directly the lives of nearly every one of Singapore's 2.3 million citizens.

Through PAP, members of Parliament, community centers and consultative committees, the prime minister has a constant feedback of information and in turn is able to exert his power down to the grass roots in effective ways.

By contrast, his major political opposition — the Barisan Socialis and the Workers' Party — have almost no reliable grass-roots organizations. "People compare Lee Kuan Yew with Mussolini because, like the Italian dictator, he makes the economy work. But a better comparison is to Mayor Daley of Chicago," remarked a foreign resident.

Intellectual

But Singapore's prime minister is more than a mere adroit city political boss. He is a visionary intellectual determined to forge a new nation out of what was once a colonial coaling station.

Singapore did not exist in anyone's mind as a "nation" until Mr. Lee, out of necessity, created it in his mind's eye.

That came in 1965, when Singapore was tossed rather rudely out of the Federation of Malaysia by suspicious Malays who feared Singapore's hard-working Chinese majority — and Mr. Lee — would dominate their new country coalesced out of the disparate former British colonies of Southeast Asia.

While the British had agreed in the 1950s that Singapore could become a self-governing state on its own, the concept of a Malaysian federation seemed to make better sense. The export of Singapore — comprising slightly more than 525 square miles of land — would then be politically attached to its logical hinterland of Malaysia and the neighboring members of the federation. The patch job lasted two years.

When Singapore was out of the federation, Mr. Lee determined to give it a new political form. In the 13 years since, he has spelled out his dream of a new, multi-racial, fiercely independent city-state: This city-state would develop its own culture, derived from the Asian heritages originally brought by Chinese, Indian and Malay immigrants to this colonial sea base during the past century and a half.

Speaking this summer at a national day rally, the prime minister revealed that he had nearly become "deculturized" as a Chinese youth educated in the English language and in British schools. "I may speak the English language better than I speak the Chinese language," he said, "because I learned English early in life. But I'll never be an Englishman in a thousand generations and I have not got the Western value system inside; it's an Eastern value system."

He even noted that he had carefully watched photographs of his own children while they were away at university in Britain to see whether they took to current Western fads, which he described as long hair, dirty jeans, bare feet and T-shirts, "with strange slogans printed on them."

He was paternally — and patriotically — proud when photos mailed to him revealed suitably short-cropped hair styles. The lesson for Singapore's youth was clear: How to flourish in a "Singaporean" way.

(Continued on Page 3)

The Economy Growth Prospects Judged To Be 'More Than Fair'

By Peter Wintraub

SINGAPORE (IHT) — When Prime Minister Lee Kuan Yew characterized growth prospects for the next five years as "more than fair" in his national message in August, it appeared that at long last Singapore's leaders had started to believe in the economic miracle wrought here in the 13 years since independence.

Few could question their confidence. The gross domestic product for 1978 looks almost certain to achieve a solid 8-percent rate of growth over the previous year. Foreign investment commitments for the first half of the year exceeded the 1977 total. Inflation was kept at a manageable annual rate of 5 percent, and the danger of any significant increase is so slight as to be almost nonexistent.

The government and business leaders alike share the view that the Singapore economy has weathered the storms of the mid-70s recession very well and that the promise for the future is bright. Singapore may no longer be Asia's economic wonder, but it has proven that it can cope with the adversity of worldwide economic dislocation and compete successfully with the other dynamic economies of the region.

Exports

Most of that competition comes in related areas of attracting foreign investment and promoting exports. In a recent speech before the 26th World Congress of the International Chamber of Commerce in Florida, Mr. Lee stated bluntly that the leading role of multinational corporations in Singapore had been a key to its economic success. But he warned that unless the present trend towards protectionism in the industrialized countries was checked, his own country could suffer.

For the foreseeable future, Singa-

The Communist Suitors of ASEAN

SINGAPORE (IHT) — Singapore is a nation caught in the competition among Communist nations.

At present, that competition is much to Singapore's liking. Feuding and intrigue among Vietnam, Cambodia, China and the Soviet Union have given the Association of Southeast Asian Nations (ASEAN) room to maneuver. As one well-placed source put it, "the collapse of Communist unity has given us a period of time — perhaps five, maybe even ten years — in which to strengthen our own [ASEAN] unity and develop our countries."

In addition, the Communist countries of Asia have now switched from the role of Cold War adversaries to ardent suitors of ASEAN.

The latest twist in the romancing of Southeast Asia came from the Soviet Union, which in September

dropped its stern view of ASEAN as a "disguised outpost of American imperialism" and now seems willing to treat the five-member regional group as an important entity to be dealt with on somewhat equal terms.

Generous Gestures

Soviet Deputy Foreign Minister Nikolai Firyubin recently slipped into Singapore unobtrusively to drop hints of Moscow's new appreciation of the ASEAN states. Unlike the highly publicized visit of Vietnamese Premier Pham Van Dong a week earlier, Mr. Firyubin hardly was visible. No press conferences, banquets, speeches, welcoming remarks. Diplomats in Singapore are not certain that Prime Minister Lee Kuan Yew met the Soviet envoy.

Why had he come to Southeast Asia? "He just wanted to check up

on how well his Vietnamese friends are doing," said one official. The Soviet diplomat was also making generous gestures to ASEAN members in expanded trade and aid. For Singapore, this is not a small item. More than 1,000 Russian ships called last year at Singapore, and the republic's ship repair yards have been kept busy with Soviet orders.

However, Mr. Firyubin may have sought an invitation Singapore did not want to be asked to give — that a Soviet naval flotilla be allowed to make a friendly call.

While Russian ships normally pass through the Straits of Malacca en route to and from Indian Ocean stations, the growing Soviet Pacific fleet has not paid an official port call. "They would love to show the flag here," commented a Singaporean.

Singapore officials are aware of the implications of any additional

Soviet presence: implied support for Vietnam versus Cambodia and a slap in the face for China.

In close cooperation with other ASEAN leaders, Mr. Lee has so far followed a very neutral policy on the squabbling of its northern Communist neighbors, and that policy is likely to continue.

Despite disclaimers that ASEAN has any military agreements, the non-Communist alliance still prefers the protection of the American umbrella. Observers hope ASEAN can remain primarily a political and economic alliance rather than be forced to take a military stance on its own or to become a NATO-like adjunct of the Americans.

'Zone of Peace'

Close political coordination among the five nations (Singapore, Thailand, Malaysia, Indonesia and the Philippines) has proved sufficient to force the feuding Communist powers to treat ASEAN demands seriously. The crux of these demands is that Southeast Asia become a "Zone of Peace, Freedom and Neutrality," popularly known as ZOPFAN. Vietnamese Premier Dong seemed to agree during a series of rapid-fire visits to ASEAN capitals this autumn. He said he wanted the region to be a "zone of peace, genuine independence and neutrality."

Questioned about the difference in wording, Mr. Dong told newsmen that "it's just a question of semantics."

Most ASEAN officials understand that the Vietnamese mean that Southeast Asia must shake off its American mantle before it has "genuine independence." Nonetheless,

(Continued on Page 4)

Filling the Gap in Offshore Dollar Markets

SINGAPORE (IHT) — Singapore's banking industry has its roots offshore in more ways than one. Shenton Way, heart of the financial community, runs on reclaimed land that was once the middle of the harbor.

The first banks built their business on colonial trade finance or the merchant ventures and the plantation and tin-mining investments of the Southeast Asian overseas Chinese.

The Mercantile Bank, first to set up shop in Singapore in 1856, the Chartered Bank in 1859, and the Hong Kong and Shanghai in 1877, were all colonial trade financiers. So were the early non-British banks, the Nederlandsche Handel Maatschappij, First National City Bank and the Banque de l'Indochine.

The Overseas-Chinese Banking Corp., doyen of the local banking scene, traces its roots to three houses set up between 1900 and 1920 to bankroll the ventures of the Hokkien overseas Chinese.

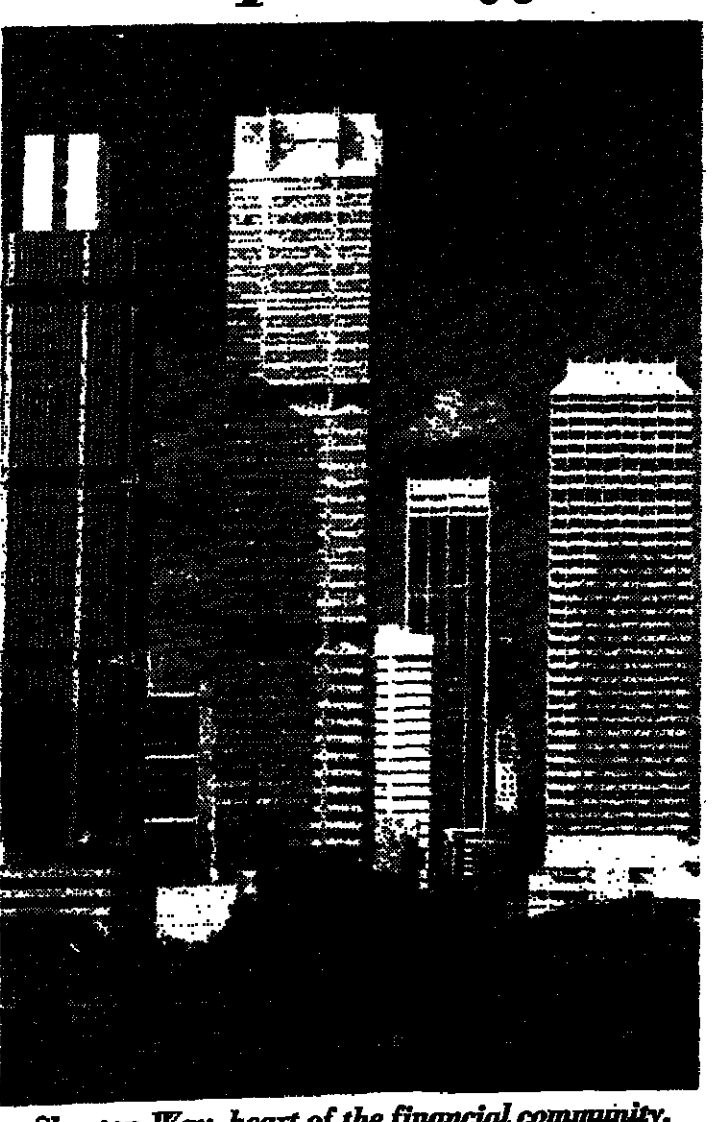
But the real boom began in the late 1960s, when Prime Minister Lee Kuan Yew's government saw a gap to be filled in the fast proliferating offshore dollar markets. Singapore's first Asian dollar deposit operations was set up by Bank of America in 1968. The formation of the Monetary Authority of Singapore (MAS) in 1970, and the loosening of tax, foreign-exchange control and liquidity requirements for offshore banking marked the start of a dash to become a regional financial center.

At the latest count, Singapore has more than 80 banks and merchant banks with Asian Currency Units (ACUs) licensed by MAS to do nonresident banking business.

Assets and liabilities of the offshore banking industry have soared during the past five years by a massive 265 percent to slightly more than U.S.\$23 billion at mid-1978 from \$6.3 billion at end-1973 and less than \$3 billion at end-1972.

Asia Dollar

Bankers still generally rate Hong Kong higher as a center of offshore dollar syndication but Singapore's dollar-deposit business is generally estimated to have outstripped Hong Kong's by a third or more.



Shenton Way, heart of the financial community.

ment bankers, Merrill Lynch and Credit Suisse-First Boston.

The U.S. dollar's erratic fortunes have meanwhile catalyzed a dramatic boom in Singapore's foreign exchange business in the past couple of years. MAS figures indicate a near 40-percent jump in exchange turnover this year to almost U.S.\$2 billion a day. Allowing for double counting, a more realistic estimate would be about \$1.25 billion daily, compared with a daily average of about \$340 million just four years ago, exchange dealers say.

Geography, which played the crucial part in Singapore's mercantile development, has also been crucial in its growth as a foreign exchange and dollar-deposit market. Poised between the U.S. West Coast and Japanese time zones to the East and Europe to the West, Singapore and Hong Kong have become the places where yen positions are reinforced or unwound after the Tokyo close and where quick-witted European bankers steal a march on their rivals before the sun rises in Frankfurt.

Foreign Exchange

One third of Singapore's foreign-exchange business is done in U.S. dollar/yen and another third in U.S. dollar/Deutsche marks. Hammering home the offshore nature of the market, MAS figures for last year showed only 15 percent of exchange business involved the Singapore dollar. Dealers say this year's percentage will be less.

In addition to geography, reasons commonly cited for Singapore's banking success include the excellence of its telecommunications and its remarkable political and economic stability.

More controversy surrounds the role of the MAS. Progressive-minded and sensitive to bankers' needs, the authority, under Managing Director Michael Wong Pakshong, has presided over a growing system that now includes six international money brokers (there were none when MAS was formed in 1970) four discount houses (none in 1970), more than two dozen merchant banks (none in 1970) and some four score commercial banks. On the other hand, MAS runs a tight ship, at least compared with the free and easy ways of Hong Kong.

Some bankers blame excessive caution and overzealous regulation on the part of the authorities for imbalances in the system, such as the relatively weak development of forward-exchange trading. MAS is also held responsible by some bankers for seemingly endless procrastinations on the formation of a proposed Singapore gold futures exchange, which has finally crept into action after four years of grinding delays.

MAS officials say Singapore hardly looks over-regulated com-

(Continued on Page 2)

World's Third Largest Oil Refinery Center

By J.D. Indran

SINGAPORE (IHT) — Singapore is now the third largest oil refinery center in the world, after Rotterdam and Houston, with a total capacity of more than one million barrels of crude oil per day. Oil refining is Singapore's biggest industry despite the fact that there is not a single oil well here. The industry is concerned mainly with refining, marketing, transportation and distribution.

There are several reasons for the phenomenal growth of the petroleum industry in Singapore. They include the government's policy on tax incentives as well as political stability, infrastructure (such as an excellent port and good banking and communication facilities) and a hardworking and skilled population.

Most crude oil comes to Singapore from the Middle East, normally by transport by very large crude carriers (VLCC) of 150,000 metric tons and up. Refined oil for export is shipped out in small-product tankers.

Major Supplier

Singapore imported about 21 million metric tons of petroleum and petroleum products valued at about \$4.4 billion during the first nine months of 1977. About \$3 billion of crude oil accounts for the bulk of the volume, most of which is from the Organization of the Petroleum Exporting Countries. Saudi Arabia provides 58 percent of these imports, followed by Iran with 14 percent.

Oil refining is Singapore's biggest industry despite the fact that there is not a single oil well here. The industry is concerned mainly with refining, transportation and distribution.

Malaysia is also a major supplier of crude, most of it from the Shell fields in Sarawak.

The crude oil imported from these countries is processed by Shell (capacity: 500,000 barrels a day), Esso (231,000), Mobil (180,000), Singapore Petroleum Co. (65,000) and British Petroleum (28,000).

For every barrel of 159 liters of crude, refineries here produce about 23 liters of gasoline, 41 liters of kerosene and diesel, 82 liters of fuel oil and seven liters of other products. The remainder is used as fuel during refining or is lost in the process.

At the moment, most refineries are operating at half their capacity. The distillates are kept as stocks by the refineries either for export or to meet local demand.

Singapore also imports large

quantities of refined products, totaling about \$1 billion, of which almost \$200 million is re-exported. Combined with the \$2.6 billion in domestically refined exports, total oil exports (not including those to Indonesia) amount to \$2.8 billion.

Japan

Kerosene and other fuels account for 44 percent of these exports, diesel fuel 19 percent and aviation fuel 14 percent.

Japan continues to be Singapore's biggest customer, with \$800 million of export sales, followed by Hong Kong (\$576 million) and Malaysia (\$305 million). Australia, Thailand, the United States, Papua New Guinea and New Zealand also buy Singapore's petroleum products.

Vietnam used to be an important market. But since the end of the war, its imports have become negligible.

Bunker fuel supplied to ships and aircraft that use registered in Singapore is considered as exported. So the actual domestic consumption constitutes only a minor proportion of the refinery output.

The capacity at which the five refineries here operate depends on the export market. So until the world economy accelerates, local refineries will have difficulty raising production levels.

New Project

Despite the gloomy oil situation in the last few years, the most ambitious project undertaken here — the Sunthom petrochemical complex at Pulau Ayer Chawan — is under way. This joint venture between the Singapore government and the Sunthom Chemical Co. is a clear-cut move to develop higher-technology petroleum products. Singapore was chosen because of its proximity to existing refineries, which will supply naphtha/gas-oil and process feedstock.

The complex is expected to have one upstream and five downstream companies. The upstream company will operate a naphtha/gas-oil cracker and process feedstock from existing refineries into such intermediate products as ethylene and propylene. These products will in turn be sold to the downstream companies for conversion into plastic resins and other petrochemical intermediaries.

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Malaysia Lifts Ban On Concorde Flights

LONDON, Dec. 17 (UPI) — Malaysia has announced that it is lifting the ban on supersonic Concorde flights over Malaysian airspace for a six-month trial period.

A British Airways spokesman praised Malaysia's decision and said that it would allow the airline to resume flights to Singapore, probably early next year.

18

Price	Vol.	Last	Vol.	Last	Vol.	Last	Close
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20	114	1/4	10	%	a	a	15%
25	10	1-16	a	a	b	b	15%
28	11	17/4	b	b	b	b	47 1/4
30	33	12 1/2	5	14 1/2	48	16	47 1/4
35	24 1/2	8 1/4	14	17 1/4	46	17 1/4	47 1/4

45	764	3%	177	6	85	7%	41%
50	460	19-16	234	4%	b	b	41%
60	384	7-16	277	13-16	b	b	41%

70	178	1-16	54	11-16	b	b	41%
55	3	3	a	a	a	a	56%
60	8	1	a	a	a	a	56%
70	299	1-16	a	a	b	b	56%

25	185	5-16	165	$\frac{1}{2}$	100	$\frac{3}{4}$	237%
15	20	$\frac{7}{8}$	a	a	2	2	14%
20	25	3-16	17	$\frac{1}{2}$	0	0	14%
15	1	13-16	25	$\frac{7}{8}$	26	113-16	15%
20	10	16	a	a	1	3-16	15%

10	36	11-16	17	214	7	2%	11%
15	121	3-16	26	9-16	36	7%	174%
25	0	0	2	2%	0	0	26%
30	18	7%	26	11-16	8	1	26%

35	a	a	60	1/2	b	b	26%
19%	10	1 1/4	b	b	b	b	19%
20	32	3/4	10	1 1/4	5	2 1/4	19%
25	1	1-1/4	22	9/4	b	b	19%
15	5	5/4	c	c	c	c	22

20	29	1%	49	21%	6	31%	29
25	20	%	20	1	b	b	20
30	a	a	12	7-16	b	b	20
20	5	5-16	a	a	a	a	18%

15	2	6 1/2	a	a	a	a	20%
20	9 1/2	2 1/2	2	3 1/2	14	4 1/2	20%
25	17 1/2	4	3 1/2	1 1/2	12	2 1/2	20%
30	60	3-16	133	13-16	b	b	20%
35	203	1-16	2	3 1/2	b	b	20%

15	10	1%	5	2%	0	0	16%
20	6	3-16	0	0	0	0	16%
30	0	0	5	3	0	0	30%
35	107	5-16	199	1%	2	1%	30%

40	1	1-14	0	0	b	b	30%
45	a	a	3	1/2	b	b	30%
50	23	14	4	2 1/2	1	3 1/2	30
55	72	14	4	3 1/2	2	1 1/2	30
60	58	11 1/2	9	2 1/2	15	2 1/2	10%

10	47	7-16	7	9-16	11	13-16	10%
15	78	3-16	33	7-16	30	13-16	10%
15	17	3%	4	4	a	b	10%
20	a	a	12	3-16	b	b	10%
10	12	2%	2	a	12	2%	10%

15	283	3-16	136	%	47	12%
20	4	1-16	a	a	b	12%
18	1975	15-16	1440	113-16	1137	21%
15	390	1-16	342	14	b	10%

15	88	15-16	5	2	2	29%	15%
20	44	3-14	22	7-16	a	a	15%
30	12	1%	1	2%	b	b	30%
25	64	1%	a	a	a	a	30%
15	5	10%	a	a	a	a	25

20	58	3%	4	4	a	a	25
25	152	2%	98	3%	30	4%	25
30	97	9-16	60	19-16	b	b	25
35	110	3-14	5	%	b	b	25
40	0	0	0	0	20	2%	25

15 - 80 4 24 11-14 44 7 12%
20 - 2 1-14 a a b b 12%
e 31.442 Open interest: 1,154,113
aded b-No option offered. p-PV,
le last is premium (purchase price)

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The World's Most Preferred Site for Foreign Investment

SINGAPORE (IHT) — Earlier this year, the New York-based Business International released results of a survey of international businessmen that showed Singapore to be the world's most preferred site for foreign investment. It only confirmed what scores of overseas investors here already knew. With its hardworking and disciplined work force, an enviable program of government incentives and modern communications and transport, the island republic is a haven for foreign capital.

At the beginning of 1978, there was more than \$4 billion (nearly U.S. \$2 billion) in foreign investment here. During the first half of the year, investment commitments increased appreciably more than in 1977, reaching \$530 million. For all of last year, they totaled \$391 million.

The two largest projects introduced in 1977 were a bearing plant operated by Koyo of Japan and an aircraft component factory owned by Sundstrand of the United States.

Together, their value is about \$40 million.

Worried by rising protectionism in its major export markets and eager to raise the technological level of the local work force, the Singapore authorities are now making a special effort to lure high technology foreign investment that turns out the kind of products that are largely immune from tariff restrictions.

This effort appears to be bearing fruit. According to the Economic Development Board (EDB), the government agency responsible for promoting investment in Singapore, some 60 percent of last year's 117 new or expanded investment projects were in the technology-metalworking or intensive electronics fields.

Pioneer Scheme.

The EDB encourages high-technology investment through its "pioneer scheme," under which a five-year tax holiday is granted to firms introducing industry considered likely to produce goods with high

market accessibility abroad. Because such industry is almost invariably in the high-technology field, it has the added benefit of raising the technological capability of the work force.

At the same time, high-technology industry has important spin-off benefits for small-scale industry held by local interests. For example, Philips, the Dutch electronics giant, gives subcontracts to local firms to produce plastic components for the radios, television sets and telephones it manufactures in its five Singapore installations.

The EDB, together with other government departments, has voiced some concern over the small level of locally generated investment in the manufacturing sector here. But EDB officials hope that in the long run the managerial and technological expertise that Singaporeans acquire in foreign projects will instill a spirit of entrepreneurship.

The United States remains the largest foreign investor in Singapore, with a total of \$1.37 billion. It

is followed by Japan (\$633 million), the Netherlands (\$571 million) and Britain (\$366 million).

Petrochemical Complex.

It is almost certain that the United States will be displaced by Japan within the next several years. A Sumitomo petrochemical complex, valued at about \$2 billion, is scheduled to begin operations in early 1982.

The Sumitomo project is by far the largest foreign investment ever contemplated for Singapore. Officials here are nervously watching its progress. Japan's domestic petrochemical industry is suffering from overcapacity, a condition that has led to some speculation that Sumitomo may want to delay construction work in Singapore until its products have a market. For their part, the Japanese are sticking to the 1982 opening date.

Singapore makes no secret of the role it believes foreign investment has played in the development of the republic's economy. "Singaporeans were smart enough to recognize those more enterprising than ourselves," Prime Minister Lee Kuan Yew declared in a recent speech. "That was the key to our rapid development."

In the same speech, the prime minister pointed out that some 12,000 foreign managers, engineers and technicians have worked in Singapore, a figure which represents 20 percent of the work force in those categories. Some 250,000

workers, or 30 percent of Singapore's total work force, were employed by them, he said.

Underscoring Prime Minister Lee's remarks on the role of foreign investment in Singapore's development is a recent EDB survey citing the high success rate enjoyed by foreign firms here. According to the survey, not a single major multinational corporation has failed in its Singapore venture. Enterprises wholly-owned by U.S., Western Eu-

ropean and Japanese investors had an overall failure rate of only 6 percent, about half the failure rate for other foreign firms, such as those from Hong Kong and Taiwan.

The survey also showed that when Singaporeans went into joint ventures with firms from the United States, Japan or Western Europe, the failure rate was 7 percent. Wholly Singapore-owned companies have a failure rate here of 38 percent.

One of the major attractions for foreign firms operating in Singapore is the wage structure. The average monthly wage for production and manual workers in 1977 was U.S. \$146, a twofold increase from 1966. Singapore's union leaders, who work hand in hand with the government, have been careful not to press for more rapid raises, which they fear could reduce Singapore's investment competitiveness. —P.W.

Recession, Nationalism Trouble Shipping

SINGAPORE (IHT) — Singapore is the fourth busiest port in the world and serves as a transshipment center for the region. More than 200 shipping lines from all over the world call here regularly, with many other ships stopping over on tramp services.

But the recession in the world economy and the economic nationalism practiced by the Southeast Asian countries have cast a pall of gloom over Singapore's shipping and shipbuilding industry.

Several small shipping firms here have closed down because of the recession in the shipping industry or because there was too much cargo to carry. Others have laid up their ships to cut down operational costs.

The high costs of bunker fuel have eaten into the profits of the companies since the oil-production countries raised their prices.

Another major factor that has affected the industry's performance is the economic policies practiced by Singapore's neighbors.

The first move came when the Malaysian Parliament approved the Merchant Shipping (Amendment and Extension) Bill 1976, under which all cargo from one Malaysian port to another should be carried only by Malaysian-registered vessels operated by firms with at least 50 percent of the shares controlled by Malaysian citizens.

The three main local shipping lines, Straits Shipping, Guan Guan Shipping and Pacific International Lines, have already transferred some of their ships to the Malaysian register and opened up offices in the Malaysian capital of Kuala Lumpur to comply with the regulations.

The Indonesian government has also placed several other restrictions on Singapore ships trading at Indonesian ports. Local vessels that call at Indonesian ports must get a sailing permit every six months and some are not allowed to enter certain ports undergoing development.

Under a cargo-sharing agreement signed between the two countries, 55 percent of the cargo from Singapore to Indonesia is to be carried by Singapore vessels and 45 percent by Indonesian vessels. The percentages are reversed for cargo from Indonesia to Singapore.

Singapore firms have reported a decline of 40 percent in cargo from here to Indonesia because of the restrictions.

Local shipping companies have also complained that trade with Middle East ports has dropped recently. Governments there have restricted shipping activities to conference lines ships because of the proliferation of bogus firms that have swindled shippers.

Most of the Singapore firms that call there do not belong to any conference but are independent operators.

Despite the many difficulties facing local shipping firms, several of them are still expanding into new trading sectors or increasing their fleets.

Singapore's national shipping firm, Neptune Orient Lines, recently placed a \$20 million order for five container ships with Ishikawajima-Harima Heavy Industries of Japan. The company started a Far East-U.S. run earlier this year and is now contemplating scheduled services to Western Asia and New Zealand.

Several other private firms, like

Pacific International Lines, are also planning on expanding their fleets.

The government has announced that it would help finance local firms that want to build ships — provided the vessels are built at local shipyards. Besides aiding the firms, this would also provide business for the yards, which are facing a drop in new orders.

The ship-repair industry, however, performed well last year despite undercutting by local yards to compete with their rivals overseas. But the future for the ship-repair yards is gloomy because of the setting up of new yards in the Middle East and in East Asian places like Hong Kong, Taiwan and South Korea.

Competition in the repairing sector is now keen and prices are competitive. However, Singapore's strategic location in the center of the shipping traffic should be an advantage.

But Singapore's image as a ship-repair center suffered a severe setback when the Liberian-registered tanker, *Seyros*, exploded and caught fire in a shipyard on Oct. 12 of this year, killing 76 people and injuring more than 50 workers. The shipyard has already cancelled contracts for work on five tankers because of the low morale of the workers.

The oil-rig construction industry, which has slumped for the past three years because of the decrease in exploration activities in Southeast Asia, has now picked up. Three rigs are being built in Singapore yards for China and three others for French and American firms.

The yards expect an increase in orders in the coming months because of the worldwide increase in exploration activities offshore. —J.D.I.

A Fully Functioning Democracy Ruled by One Man

(Continued from Page 1)

Although admitting that he was alarmed on the Socialist objectives of the British Labor Party (and particularly its anti-colonial stand), Mr. Lee, today, has dumped socialism into the rag heap of history.

In a revealing speech made before a group of American business and political leaders during his recent trip to the United States, the prime minister declared that planned socialism in Singapore had failed. "Why try to force a system that has repeatedly been shown to be unworkable or impractical, however logical and attractive the theories behind it might be?" he asked. Such talk is "just prompted by the Socialist International to seek the outer of PAP."

Mr. Lee's party walked off with a landslide victory in the May 1976, general election. The Dutch Labor Party's charges about Singapore's civil liberties were not proved.

Mr. Lee unabashedly is modeling the new Singapore on capitalistic principles — and openly invites multinational and foreign invest-

mentors to come without the usual demands of developing nations for equity participation and eventual local control of enterprises.

Cooperatives

Singapore does promote cooperatives to improve conditions in some fields. Trade unions, for example, formed a co-op in which taxi drivers own their own vehicles. And a central fund has been made mandatory as old-age security.

But internationally and internally, Singapore is for free trade, free enterprise and rapid economic growth.

Mr. Lee told his listeners in the United States that in facing the "realities of the world," in 1965, "the sole objective was survival. How this was to be achieved, by socialism or free enterprise, was a secondary matter. The answer turned out to be free enterprise, tempered with the socialist philosophy of equal opportunities for education, jobs, health and housing," he explained.

He never contemplated nationalization, or state planning. "There

was precious little to nationalize," he said. Furthermore, he considered Sukarno's Indonesia, U Nu's Burma and Bandaranaike's Ceylon failures.

Given a commitment to freedom in enterprise and commerce and adherence to the British parliamentary system, Mr. Lee sought to create a new identity for Singapore.

A Code

In doing that he has moved in tough, even harsh, ways. There is a generally understood code now:

- No mention must be made of racial differences. A Chinese newspaper publisher who allegedly promoted an image of chauvinistic Chinese superiority in invidious comparisons to other cultures, was broken. A new newspaper law put through Parliament this summer states that no one may own more than 3 percent of the shares of any newspaper. The offending publisher lost his family-held grip on his own newspaper.

- Communism in any form is prohibited. Violators find themselves in detention in Changi pris-

on. That goes not only for Malaysian Communist Party infiltrators but also for intellectuals, lawyers or journalists who might secretly express sympathies for the Marxist-Leninist path.

- Mr. Lee himself may not be directly criticized (although one is free to lambast his policies). Persons who overstep the bounds of propriety may find themselves facing stiff libel suits.

- Outsiders may not import influence into the country. One such effort, by a Hong Kong publisher, to open a competing English-language newspaper, was stopped three years ago in an embarrassing display of government heavy-handedness.

Dull and Docile

Editors and reporters understand these ill-defined but very real political parameters on their actions. Little wonder that a recent university student debate on the question of why newspapers were "dull and docile" ended with one judge saying that neither side had fully explored the question.

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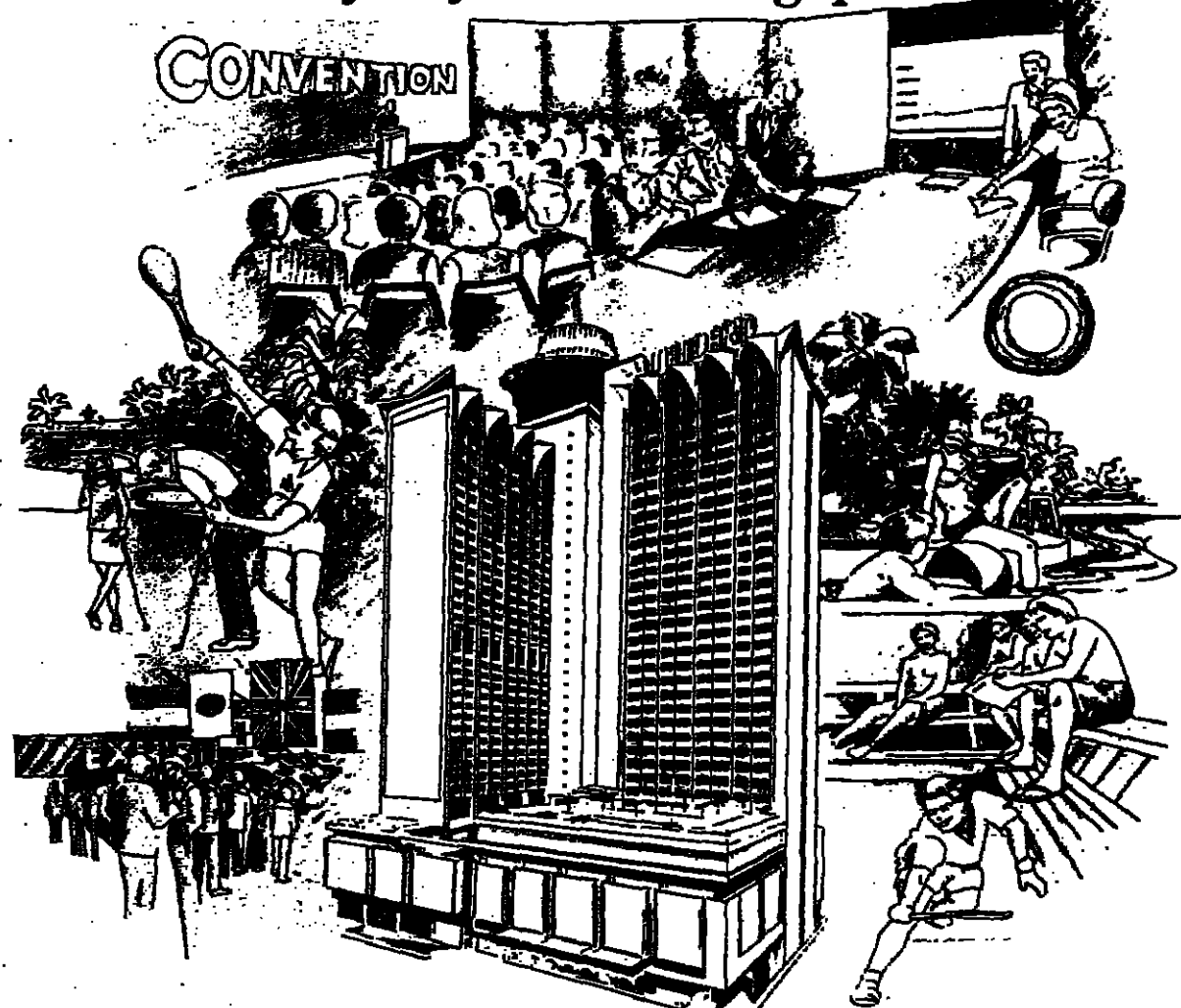
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Gold Futures Rise Amid Inflation Worries

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25	185	5-16	165	$\frac{1}{2}$	100	$\frac{3}{4}$	23%
15	20	$\frac{3}{4}$	a	a	2	2	14%
20	25	3-16	17	$\frac{1}{2}$	0	0	14%
15	1	13-16	25	13 $\frac{1}{2}$	26	13-16	15%
20	10	$\frac{1}{2}$	a	a	1	7-16	15%
10	36	11-16	17	2 $\frac{1}{2}$	7	2 $\frac{1}{2}$	11%

15	121	3-16	26	9-16	36	76	174%
25	a	a	2	274	a	a	264%
30	18	76	26	11-16	8	1	264%
35	a	a	60	76	b	b	264%
194%	10	114	b	b	b	b	194%

20	32	10	14	5	214	194
25	1-16	22	94	b	a	194
15	5	a	a	b	a	20
20	29	14	212	6	314	20
25	20	20	1	b	b	20
30	a	a	12	7-16	b	20

20	5	5-16	a	a	a	a	18%
15	2	6 1/2	a	a	a	a	20%
20	92	29-16	2	34	14	4 1/2	20%
25	173	34	39	134	12	29-16	20%
30	60	3-16	133	13-16	b	b	20%
35	293	1-16	2	34	b	b	20%

15	10	1%	3	2%	a	a	16%
20	6	3-16	a	a	a	a	16%
30	a	a	5	3	a	a	30%
35	107	5-16	199	1%	3	1%	30%
40	1	1-16	0	a	b	b	30%

30	a	a	3	b	b	30%
30	23	17½	4	2½	1	3½
35	72	14	4	36	2	1½
40	58	11½	9	2½	15	2¼
10	47	7-16	7	9-16	11	13-16
15	78	3-16	33	7-16	30	13-16

15	17	3%	4	4	a	10%
20	a	a	12	3-16	b	10%
18	13	2%	3	3	11	12%
15	283	3-16	136	%	47	12%
20	4	1-16	a	a	b	12%
18	1973	1-16	1440	13-16	1777	10%

15	390	1-16	342	4	b	b	10%
15	88	1-16	5	2	2	24	15%
20	64	3-16	22	7-16	a	a	15%
30	12	1-16	1	2%	b	b	30%
35	66	1/2	a	a	a	a	30%
15	5	10%	a	a	a	a	2%

20	50	5%	4	4	a	a	25
25	152	2%	98	3%	30	4%	25
30	91	9-16	60	17-16	b	b	25
35	110	3-14	5	5%	b	b	25
40	a	a	a	a	20	3%	12%
45	80	a	26	11-14	44	1	12%

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Financial Week

Standard Forecast in U.S. Predicts 1979 Recession

By Leonard Silk

NEW YORK, Dec. 17 (NYT)—The standard forecast for 1979—the consensus of the nation's business and academic economists—is moving down. But it still calls for only a moderate recession or an advance so sluggish as to be called a "growth recession"—one in which unemployment will rise despite a small gain in real output.

It requires an annual increase of about 3 to 4 percent in real gross national product—total output corrected for inflation—for unemployment to stay the same, because of the rise in the labor force and productivity.

Although it is impossible to know every forecast in the country, especially because many are kept confidential, Eggert Economic Enterprises of Sedona, Ariz., which is headed by Robert Eggert, former chief economist of the Ford Motor Co., regularly collects 40 so-called "blue chip" forecasts that are made public.

At the beginning of last month, Mr. Eggert's "blue chip" 40 were, on the average, showing a 2.5-percent increase in real GNP for next year. Now the average forecast has been lowered to 2.1 percent.

Inflation Consensus Worsens

The consensus forecast for inflation has also worsened a bit, moving up from 7.5 to 7.7 percent. So has the outlook for profits: last month the average forecast for pre-tax profits next year was for an increase of 3.7 percent; this has now been cut to 2.8 percent. Because those pre-tax profit figures are not adjusted for inflation, this implies a

decline in real profits next year of 5 percent or more.

Without exception, the economists expect unemployment to rise to 6.6 percent. The range of their forecasts, however, is fairly wide. Economists International, the most optimistic, is saying that unemployment will average 6.1 percent; Economies expects real GNP to gain 4.2 percent. But Sindlinger, the most pessimistic and a maverick among forecasters, says unemployment will average 7.3 percent next year. Sindlinger is predicting that real GNP next year will decline by 2.1 percent.

Though only Sindlinger among the 40 is forecasting a decline in real GNP, 52 percent of the "blue

chip" forecasters are expecting a recession, rather than just a growth recession, next year. The reason the predicted gains in real GNP for next year can rise with a real recession in prospect is that, coming off the fourth quarter of this year, GNP could show zero growth throughout next year, quarter by quarter, and still average higher than this year—because this year's fourth quarter was the highest of the year.

Forecasters Are Bunched

The economists' forecasts usually don't stray too far from the consensus position. Some suspect that this is a sociological phenomenon, because economists are a clanish

group and talk to each other constantly. Furthermore, few are bold enough to hold out against the crowd.

But a few economists play the opposite way, convinced that most people will forget a poor forecast but remember a bold and unusual one that hit the outlook right on the nose.

Indeed, business economists routinely change their forecasts to catch up with events. David Grove, the former chief economist of International Business Machines (which usually keeps its forecasts confidential) used to say: "If you can't forecast, forecast often."

Another reason most economists do not stray too far from the consensus is that the standard forecast has generally been pretty good—except in highly unusual years.

Last year's standard forecast was not too far off in most respects. In December of last year, the average prediction of the 40 "blue chip" forecasters was that real GNP would gain 4.2 percent this year; the actual gain this year promises to come in at 3.8 percent.

However, the economists were too optimistic about inflation this year. Last December, they predicted, on the average, that the price index used to correct GNP would rise by 6 percent this year; the actual increase now looks like 7.5 percent.

At the same time, the forecasters were too pessimistic about unemployment. The average forecast was that the jobless rate would be 6.7 percent, but it has averaged about 6 percent.

U.S. Moving to Metrics

(Continued from Page 7)

questioning whether the confusion and the cost are really worth it, big business goes determinedly ahead with conversion. Small business has taken little positive action, the survey showed. Only 12 or 13 percent of the 1,400 small firms polled indicated they had converted to metric or were in the process. They cited the costs of dual inventories during conversion and employee training in metrication.

Apart from the pharmaceutical industry, which has used the metric system for years, the automotive industry—really General Motors Corp.—leads the way. In fact, the report noted, GM's competitors and suppliers told the GAO that if it were not for its leadership, con-

version in the United States would be at a standstill.

GM's target date for predominantly metric passenger cars is 1982. Chrysler, in 1980; Ford and American Motors, in the early 1980s. GM also plans metric equivalents for the measurements of trucks by 1982. Moreover, GM has found that conversion is not so expensive as it had anticipated. In 1976, it estimated that its costs would be only 3 or 4 percent of the original 1966 estimates.

Most of the activity, as might be expected, is with multinational corporations, but two major industries, aviation and petroleum, have adopted the attitude that because the world is used to the U.S. system, there would be little benefit in changing.

Euromarket

(Continued from Page 7)

Frankfurt bank closely associated with the German trade union movement. The \$100-million issue matures in January 1989, but note-holders have the option of extending the maturity to 1994. The issue bears semi-annual interest at 0.25 points above six-month interbank Eurodollar offered rates. For the first 10 years a minimum coupon rate of 5.5 percent is guaranteed but thereafter there is no minimum.

According to some sources, the issue was selling slowly. "It's too large and too long-dated," one dealer said.

The market for Deutsche bank Eurobonds was more or less on an even keel last week and some of the new issues were warmly received. Although the U.S. Treasury raised 3.04 billion DM in the domestic market with three- and four-year notes yielding respectively 5.95 percent and 6.20 percent, the generous rate did not appear to affect the yield structure of the external bond market.

New Zealand Bonds

A 200-million-DM, 10-year New Zealand government bond issue was successfully sold at par bearing 6.25 percent or only five basis points more than the four-year U.S. Treasury issue. In the aftermath, the New Zealand bonds were quoted at 98.75-99.25.

Also offered was a 60-million-DM, seven-year issue of the Nordic Investment Bank in Helsinki at 99.5 bearing 6.25 percent to yield 6.34 percent. However, it was quot-

ed afterward at a fairly large discount of 98.25-98.75.

A star performer turned out to be a 150-million-DM, 10-year Brazilian government issue bearing 7.25 percent which was raised from 100 million DM because of strong demand. Priced at par, the issue was quoted at 99.75-100. Accounting for the issue's success is a bilateral tax convention between Germany and Brazil that allows domestic German institutions to purchase such bonds with favorable tax treatment.

Underwriting sources were expecting a syndicate led by Deutsche Bank to shortly launch a 200-million-DM, 12-year issue for the European Investment Bank with a 6.5-percent coupon.

Meanwhile, a syndicate led by Westdeutsche Landesbank issued a 150-million DM, 10-year Norges Kommunalbank issue. Guaranteed by the Norwegian government, the issue provides a sinking fund starting after four years, which will reduce the average life of the amount

outstanding to a relatively short 7.5 years.

Westdeutsche Landesbank is also handling a 50-million-DM, 10-year issue of Union Bank of Finland, which has an indicated coupon rate of 6.5 percent and an average life of 8 years.

A syndicate led by Creditanstalt-Bankverein in Vienna is offering what might be described as a hybrid between a Eurobond issue and a foreign issue in the sense that most of it is being floated on the Austrian capital market but a portion will be marketed outside Austria by five traditional Eurobond underwriters in other countries.

The 400-million Austrian schilling, eight-year issue of the EIB will bear 7.75 percent and be priced at 99.8 to yield 7.78 percent. A purchase fund starts in 1981, which will reduce the average life to 6.75 years if fully exercised.

The banks marketing the issue outside Austria are the Abu Dhabi Investment Co., Banque Bruxelles Lambert, European Banking Co.,

Kreditbank SA Luxembourggoise and Swiss Bank Corp. (Overseas) Ltd. Co-managing the domestic portion of the issue, equivalent to \$8.8 million, are Girozentrale und Bank and Oesterreichische Landesbank.

Eurobond Yields*	
Week Ended Dec. 15 (U.S. Dollars)	
International institutions	9.23 %
Industrials, long term	9.41 %
Industrials, medium term	9.49 %
Canadian dollars, medium term	10.32 %
French franc, long term	10.36 %
Unit of acc. long term	8.13 %
* Calculated by Luxembourg Stock Exchange	

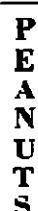
Market Turnover	
Week Ended Dec. 15 (Millions of U.S. Dollars)	
Total	727.60
Dollar Equivalent	469.50
Non-dollar	231.10
Cedel	1,518.3
Eurocl.	1,254.6
263.70	

INTERNATIONAL BONDS

(a weekly list of non-dollar-denominated issues)

Units of Account	
DM Bonds	DM Bonds
Arbed 6-87	98.75
Asiat Indent 8-87	102.50
Austro 8-87	97.40
Brasilien 7-84	102.00
Brasilien 6-85	99.25
Brasilien 6-86	99.50
Brasilien 6-87	104.00
CNT 7-87	104.50
CNT 8-87	104.50
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PEANUTS



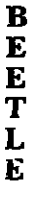
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- 8 Principle of
royal supremacy
- 9 Part of Basque
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- 5 Kind of peach
- 7 Sommer
- 6 Bonn version of
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- 3 Ateller piece
- 1 Vietnamese coin
- 2 Tropical ailment

DOWN

- 1 Females
- 2 Eureka led
- 3 Taj Mahal site
- 4 Bettor's finale
- 5 Angel or demon
- 6 Catches
- 7 Son of Zeus and
Hera
- 8 Willie —, 1942-46
featherweight
champ
- 3 Target range
- 0 Kind of loan or
paper
- 1 Horne
- 2 Keats metier
- 5 Maculate

A

Reviewed by Christopher Lehmann-Haupt



DENNIS THE MENACE



his supply of minor pieces for a mating attack. But maybe Black's best option is a savage counter-gambit with 12... R-Q4!?, 13 P-Q5-B7ch, K-Q1; 14 NxR, QxP; 15 R-KB1, QxK-Pch; 16 Q-K2, Q-QR5!, which led to a sharp Black victory in the game Honfi-Horvath, Subotica 1978.

Bhend's attempt to keep all the marbles with 12... R-QN1 permitted 13N/N5-B7ch, K-Q2; 14 Q-R5, threatening 15 QxP/mate. It was easy to squirm away with 14

... N-Q5; 15' 0-0, K-B3, but the black king was still far from safe.

Bhend of the Swiss team from the 12th round of the World Chess Olympiad in Buenos Aires, Bhend's miserly hoarding of material was responsible for his downfall.

The old Lecker variation (5... P-K4) of the Sicilian Defense leads, in its main line, to a complex struggle after 10... P-B4 in which Black cedes his Q4 square for a powerful white knight outpost, getting in return dynamic counterplay with quick development and the bishop pair. Black has had so much success with this in the last several years that recently a few players have experimented with the gambit introduced by the piece sacrifice 11 BxP1!

The major question that arises after 12 NcP is what Black should do about his insecure king in the QR file and his threatened QR. The idea of using this risk aggressively with 12... R-R5 has not worked well — in the game between Karoly Höffi and Leon Piasenski, Subotica 1978, Black had not solved the problem of his king's defense after 12... Nf5-B7ch, K-Q2; 14 0-0, R-K3; 15 P-B4!; 16 QxRP, K-R5; 17 P-B4!

To avoid a disturbing check, Black can play 12... R-K2; 13 NxR, NxN, which should lead to an exciting race between White's attempt to promote a queenside pawn and Black's attempt to use

After 17 P-QB3, Black should have fought out of the grip of the white knight with 17... N-N4, although 18 NxN, RxN; 19 P-QB4 would have left the black king precariously placed no matter what Black played.

On Nunn's 18 P-N5ch, it is unlikely that Bhend could have defended himself by the exchange sacrifice 18... RxP; 19 NxR, KxN/N4, but he should have tried it. Conserving his material with 18... K-N2 allowed 19 P-N6, cementing the white knight.

Black's decisive blow was Nunn's 22 P-N7! — pre-empting the black king's last shelter. Bhend had a brief deflection of execution with 22... N-Q6; 23 QxP, N-B4; 24 Q-QB4, but after 24... RxP; 25 RxR, he resigned, since 25 KxR; 26 Q-N5ch, K-R2? would have set up 27 Q-N6-mate.

All Blacks Beat Barbarians in Stunning Finale

By Bob Donahue

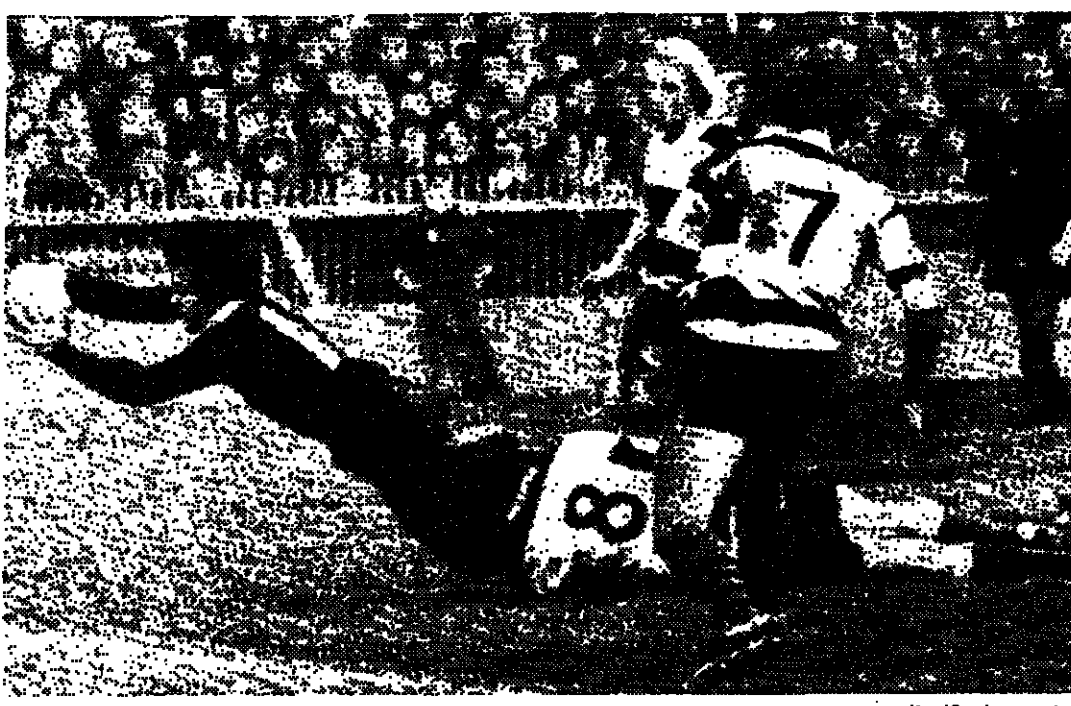
CARDIFF, Wales, Dec. 17 (IHT) — The rugby match of the year kept its promises. A singing full house at Arms Park got a dramatic finish to boot, when the Barbarians brought the best out of New Zealand's All Blacks yesterday. The Blacks deserved to win, 18-16.

In the 23 minutes before the first score, the patchy collection of Welsh, English, French, Scottish and Irish all stars proved that they were a team. Allan Martin and Bill Beaumont at the lineouts, hooker Peter Wheeler in the scrums, flankers Jean-Claude Skrela and Jean-Pierre Rives in defense, a confident Phil Bennett at flyhalf and fullback Andy Irvine, running with superb balance, added up to a threat of a quality that New Zealand will not see again soon.

Those early minutes also signaled that the placekicking of All Black fullback Brian McKechnie was off target. And that the Scottish referee, Norman Sanson, would play a more activist role in the match than a referee ideally should. But mostly, they showed New Zealand's entire determination to pass and run.

McKechnie attacked outside his left wing, the Blacks ran the ball at successive penalties rather than kick for points, wing Bryan Williams failed for the first of three times to make it across on the right, and it was prop Brad Johnstone who bucked his way over through the pack. The crowd gamely applauded the All Blacks, as it was to do twice again.

The Welsh singing began in the



Bryan Williams scores for the All Blacks, with Derek Quinell making the tackle.

Williams went tight after a scrum and was over at last. The four points gave him a career total of 401 for New Zealand.

At 15-7, the avalanche seemed to have begun. Rather than lock up the match, New Zealand played the riskier open game till the end, unconcerned by still another Barbarian interception. Soon, center Jim Renwick dropped the ball as he crossed the line, but the Barbarians were now close. At a tapped penalty, Skrela, impeccably carrying out the second of the Barbarians' three secret penalty plays, passed long to

Siemens, who got his second try.

This time Bennett converted, from the far left. It was 15-13 with a quarter hour to go. New Zealand's Stu Wilson slalomed while the startled crowd sang again. Irvine hit the crossbar with a penalty from 53 meters. Bennett scooped

up a loose ball one-handed and at full speed as if his hand were adhesive.

Barbarians ran their hearts out: scrumhalf Brynmor Williams, right wing Elan Rees, Siemens. In this pressure, Oliver gave up a penalty and Bennett took the kick. "He can't miss this one!" shouted a

faceless voice, to make certain: 16-15, the Barbarians ahead, the end near. "Blow that bloody whistle, ref!" And then, shouting to himself and the crowd, when McKechnie took a penalty: "Keep your eyes closed!"

McKechnie duly missed. And again two minutes later, in the 39th minute. As the game entered injury time, the Barbarian pack held against the odds in a series of scrums within five meters of its line. New Zealand could not cross. Center Bill Osborne tried a drop.

In the 42d minute, flyhalf Eddie Dunn dropped the ball as he made it 18-16.

After a 3-month tour, with 17 of their 18 games won, the All Blacks of captain Graham Mourie will go home to a heroes' welcome. Slowly, Europe will try to imitate the New Zealand way of seeming to be everywhere on a rugby field. One step ahead as usual, the Blacks will work to raise back play to the level reached by their forwards.

Barbarians, scattered for a moment before the post-match banquet, fended their way back to their hotel through happy masses of autograph hunters on Cardiff's sidewalks. Flat on his back at last, Skrela relived "more attack in one afternoon than you're going to see in a whole international season." It was "terribly hard," he said. And "it was magnificent."

Washington Misses Playoffs

Bears Defeat Redskins, 14-10

WASHINGTON, Dec. 17 (UPI) — Steve Schubert returned a punt 73 yards for a touchdown and Walter Payton ran 44 yards for another score yesterday to help the Chicago Bears end the playoff hopes of the Washington Redskins, 14-10.

John Fugitt caught a deflected pass from Billy Kilmer for the Redskins' only touchdown with 1:19 left. Mark Moseley got the Redskins' first points with a 33-yard field goal on the final play of the first half.

Washington (8-3) held a slim chance of gaining the playoffs as a wild card entry. The Bears finished the season at 7-9.

Kilmer, 39, replaced Joe Theismann during the final eight minutes. Theismann had completed only 13 of 21 passes for 107 yards. Kilmer completed 8 of 10 for 91 yards.

Fullback John Riggins became the third player in Redskins history to rush for more than 1,000 yards in a season, gaining 44 to finish with 1,014.

Payton took over the NFL rushing lead with 90 yards on 16 carries to give him 1,395 for the year.

Kilmer's touchdown pass to Fugitt was the Redskins' final gasp. Kilmer threw toward wide receiver Ricky Thompson in the end zone and the ball was deflected several yards away to the right end.

The Bears had scored three minutes after the opening kickoff as Fugitt passed 7 yards to Payton and 14 yards to James Scott before Payton went the final 44 yards around left end, knocking down Redskins safety Jake Scott en route.

Steelers 21, Broncos 17

At Denver, Terry Bradshaw, who saw only first-half action, threw two touchdown passes to become the first quarterback since the NFL-AFL merger in 1970 to throw 28 scoring passes in a single season, lifting Pittsburgh to a 21-17 triumph over Denver.

The Broncos, who trailed throughout the game, threatened to score a game-winning touchdown with seven seconds remaining when Pittsburgh was called for interference on a pass from Norris Weese to Rich Upchurch in the end zone. The ball was placed on the 1-yard line, but Denver's Lonnie Perrin was stopped by the Pittsburgh defense.

The Steelers' first touchdown came with 38 seconds in the first quarter, when Franco Harris bulled over from the 1-yard line on fourth-and-one, capping a 52-yard drive in 10 plays.

Bradshaw, who completed 10-of-14 passes for 131 yards before going to the sidelines, hit John Stallworth with a 25-yard scoring pass with less than four minutes remaining in the half. The pass tied Ken Stabler's post-merger record of 27.

Then, with 14 seconds left in the second quarter, Bradshaw found Jim Smith alone in the end zone from 10 yards out to push the Steelers ahead, 21-0.

The Broncos, with reserve quarterback Neil Winter in the helm, went 80 yards for their first touchdown with 9:15 left in the third quarter. Weese engineered five first

downs — as Denver crossed into Pittsburgh territory for the first time in the game — before hitting Haven Moses with a 25-yard scoring pass.

Jim Turner added a 45-yard field



Lemar Parrish of the Redskins intercepts a pass intended for James Scott of Chicago Bears during the Bears' 14-10 victory.

Indianapolis Team Folds After Five Years in WHA

INDIANAPOLIS, Dec. 17 (UPI) — The Indianapolis Racers have folded, leaving the World Hockey Association with only six teams.

Gordon Robson, a representative of Nelson Skalbania, the Canadian millionaire and majority owner, made the announcement Friday night following a second meeting within three hours with team members.

Robson said that the situation became "hopeless" late Friday afternoon, when negotiations with local investors failed to make enough headway.

Friday was pay day and Skalbania wanted to make certain that additional backing was available from local sources before he met his \$80,000 payroll.

The Racers never gained a financial foothold during their five years in the WHA, but Skalbania, who bailed them out more than a year ago, had vowed last month that he would keep the team going through the season "come hell or high water."

At the same time, however, he said that the team would lose \$1 million for the fifth year in a row. The Racers had a 5-12-2 season record — last in the WHA. They were scheduled to play an exhibition

game here Saturday night against a touring Russian national team.

The Racers had averaged only about 5,000 fans per home game this season — half of what Skalbania said they needed to break even. Skalbania was not present at the last-ditch negotiations to save the franchise.

Contingency Schedule

In Hartford, Conn., the WHA president, Howard Baldwin, said: "We regret losing Indianapolis as a market." The WHA had made a contingency schedule and Baldwin said that it would be announced tomorrow.

The New England Whalers picked up right wing Blaine Stoughton, the Racers' top scorer with nine goals and nine assists, and defenseman Dave Jakpen.

Defenceman John Hughes, who has been sold to Edmonton, called the local fans "great" and said: "I just didn't think they would let it go down, but they did. The people here could have bought the club and just assumed the responsibility for the rest of the year, but they wouldn't do that. Indianapolis is going to hurt downtown by letting the club go."

Skalbania indicated when he bought into the Racers that his goal was to take the team into the National Hockey League — if and when a merger materialized. The NHL has so far staid away from merger or expansion, although numerous interleague meetings have taken place.

"It seems the local fans don't want hockey," he said. "I'm mad because I've lost a fortune in hockey here."

Surgery for Maddox
NEW YORK, Dec. 17 (AP) — Outfielder Elliott Maddox will undergo surgery on Dec. 26 for removal of a spur on his right thumb, the New York Mets announced.

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NHL Standings

CAMPBELL CONFERENCE

Pacific Division

W L T Pts GF GA

NY Islanders 18 7 7 43 128 85

Affairs 18 10 3 39 122 85

NY Rangers 16 9 4 34 116 87

Philadelphia 14 11 4 30 102 88

Smythe Division

W L T Pts GF GA

Vancouver 25 17 2 54 180 118

Chicago 20 14 4 44 167 104

St. Louis 16 21 5 37 150 140

Colorado 6 27 5 17 86 148

Wales Conference

Norris Division

W L T Pts GF GA

Montreal 21 14 3 45 128 88

Los Angeles 13 12 4 30 119 101

Pittsburgh 11 14 4 26 110 110

Buffalo 7 13 4 28 97 114

Washington 7 20 4 18 87 143

Adams Division

W L T Pts GF GA

Boston 20 5 6 46 124 86

Toronto 15 13 4 34 107 100

Buffalo 12 18 8 32 104 102

Minnesota 10 16 2 22 84 87

Friday's Results

Bozeman 4, N.Y. Rangers 1, 0th

Albany 7, Philadelphia 2

Pittsburgh 4, Vancouver 5

Toronto 4, Detroit 2

N.Y. Islanders 2, St. Louis 2 (H)

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